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

FORM 10-K

(Mark One)
[X] **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended June 30, 2015
OR
[ ] **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____
Commission file number 1-11692

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

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

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

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

Title of Each Class	Name of Each Exchange On Which Registered
Common Stock, $.01 par value	New York Stock Exchange, Inc.

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

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
[X] Yes [ ] No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
[ ] Yes [X] No

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

Indicate by check mark whether the Registrant 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 (§232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files).
[X] Yes [ ] No

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

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 (check one):

Large accelerated filer	[X]	Accelerated filer	[ ]
Non-accelerated filer	[ ]	Smaller reporting company	[ ]

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

The aggregate market value of the Registrant's common stock, par value $.01 per share, held by non-affiliates (based upon the closing sale price on the New York Stock Exchange) on December 31, 2014, (the last day of the Registrant's most recently completed second fiscal quarter) was approximately $813,244,000. As of July 31, 2015, there were 28,407,119 shares of the Registrant's common stock, par value $.01 per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE: Certain information contained in the Registrant's definitive Proxy Statement for the 2015 Annual Meeting of stockholders, which will be filed with the Securities and Exchange Commission pursuant to Regulation 14A of the Securities Exchange Act of 1934, is incorporated by reference into Part III hereof.

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PART I

Item 1. Business

Background

Incorporated in Delaware in 1989, Ethan Allen Interiors Inc., through its wholly-owned subsidiary, Ethan Allen Global, Inc., and Ethan Allen Global, Inc.'s subsidiaries (collectively, "We," "Us," "Our," "Ethan Allen" or the "Company"), is a leading interior design company and manufacturer and retailer of quality home furnishings. Founded over 80 years ago, today we are 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 complimentary 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 facilities including five manufacturing plants and one sawmill in the United States and a manufacturing plant in each of Mexico and Honduras.

Mission Statement

Our primary business objective is to provide our customers with a convenient, full-service, one-stop shopping solution for their home decorating needs by offering stylish, high-quality products at good value. In order to meet our stated objective, we have developed and adhere to a focused and comprehensive business strategy. The elements of this strategy, each of which is integral to our solutions-based philosophy, include (i) our vertically integrated operating structure, (ii) our stylish products and related marketing initiatives, (iii) our retail design center network, (iv) our people, and (v) our focus on providing design solutions.

Operating Segments

Our products are sold through a dedicated global network of approximately 300 retail design centers. As of June 30, 2015, the Company operated 144 design centers (our retail segment) and our independent retailers operated 155 design centers (as compared to 143 and 152, respectively, at the end of the prior fiscal year). Our wholesale segment net sales include sales to our retail segment (which are eliminated in consolidation), and sales to our independent retailers. Our retail segment net sales accounted for 77% of our consolidated net sales in fiscal 2015. Our wholesale segment net sales to independent retailers accounted for 23%, including approximately 13.5% of our net sales in fiscal 2015 to the ten largest independent retailers, who operate 96 design centers. Our independent retailer in China operated 75 of these locations at the end of fiscal 2015.

Our wholesale and retail operating segments represent strategic business areas of our vertically integrated business that operate separately and provide their own distinctive services (further outlined below). This vertical structure enables us to offer our complete line of home furnishings and accents more effectively while controlling quality and cost. For certain financial information regarding our operating segments, see Note 15 to the Consolidated Financial Statements included under Item 8 of this Annual Report and incorporated herein by reference.

Our home furnishings and accents are marketed and sold in a similar manner in our wholesale and retail segments, although the type of customer (wholesale versus retail) and the specific services that each operating segment provides 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). Case goods include items such as beds, dressers, armoires, tables, chairs, buffets, entertainment units, home office furniture, and wooden accents. Upholstery items include sleepers, recliners and other motion furniture, chairs, ottomans, custom pillows, sofas, loveseats, cut fabrics and leather. Skilled artisans cut, sew and upholster custom-designed upholstery items which are available in a variety of frame, fabric and trim options. Home accessory and other items include window treatments and drapery hardware, wall decor, florals, lighting, clocks, mattresses, bedspreads, throws, pillows, decorative accents, area rugs, wall coverings and home and garden furnishings. The allocation of retail sales by product line is similar to that of the wholesale segment (see table of wholesale net sales allocated by product line in the Wholesale Segment Overview below).

We evaluate performance of the respective segments based upon revenues and operating income. Inter-segment transactions result, primarily, from the wholesale sale of inventory to the retail segment, including the related profit margin.

Wholesale Segment Overview:
Wholesale net sales for each of the last three fiscal years are summarized below (in millions):

	Fiscal Year Ended June 30,		
	2015	2014	2013
Wholesale net sales	$ 469.4	$ 453.6	$ 434.4

Wholesale net sales for each of the last three fiscal years, allocated by product line, were as follows:

	Fiscal Year Ended June 30,		
	2015	2014	2013
Case Goods	34%	36%	37%
Upholstered Products	48%	48%	48%
Home Accents and Other	18%	16%	15%
	100%	100%	100%

The wholesale segment, principally involved in the development of the Ethan Allen brand, encompasses all aspects of design, manufacture, sourcing, sale, and distribution of our broad range of home furnishings and accents. Wholesale revenue is generated upon the wholesale sale and shipment of our products to our network of independently operated design centers and Company operated design centers (see Company operated retail comments below) through its national distribution center and one other smaller fulfillment center.

During the past year, independent retailers opened 22 new design centers and closed 17, seven of which were relocations. We continue to promote the growth and expansion of our independent retailers through ongoing support in the areas of market analysis, site selection, and business development. As in the past, our independent retailers are required to enter into license agreements with us, which (i) authorize the use of certain Ethan Allen trademarks and (ii) require adherence to certain standards of operation, including a requirement to fulfill related warranty service agreements. We are not subject to any territorial or exclusive retailer agreements in North America. The wholesale segment also develops and implements related marketing and brand awareness programs.

Wholesale profitability includes (i) the wholesale gross margin, which represents the difference between the wholesale net sales price and the cost associated with manufacturing and/or sourcing the related product, and (ii) other operating costs associated with wholesale segment activities.

Approximately 70% of the products sold by the Company are manufactured in its North American plants. During fiscal 2015, the Company's manufacturing footprint increased by 125,000 square feet, further increasing throughput in our upholstery plants in North Carolina and Mexico. We operate four case good plants (two in Vermont including one sawmill, one in North Carolina, and one in Honduras), three upholstery plants (two at our North Carolina campus, and one in Mexico) and one home accessory plant in New Jersey. We also source selected case goods, upholstery, and home accessory items from third-party suppliers domestically and abroad.

As of June 30, 2015, our wholesale backlog was $63.7 million (as compared to $44.9 million as of June 30, 2014) which is anticipated to be serviced in the first quarter of fiscal 2016. This backlog fluctuates based on the timing of net orders booked, manufacturing schedules and efficiency, the timing of sourced product receipts, the timing and volume of wholesale shipments, and the timing of various promotional events. Because orders may be rescheduled and/or canceled and the sourcing timing may change, the measure of backlog at a point in time may not necessarily be indicative of future sales performance.

For the twelve months ended June 30, 2015, net orders booked at the wholesale level, which includes orders generated by independently operated and Company operated design centers, totaled $487.4 million as compared to $452.6 million for the twelve months ended June 30, 2014. In any given period, net orders booked may be impacted by the timing of floor sample orders received in connection with new product introductions. New product offerings may be made available to the retail network at any time during the year, including in connection with our periodic retailer conferences.

Retail Segment Overview:
Retail net sales for each of the last three fiscal years are summarized below (in millions):

	Fiscal Year Ended June 30,		
	2015	2014	2013
Retail net sales	$ 579.7	$ 580.7	$ 578.3

The retail segment sells home furnishings and accents to consumers through a network of Company operated design centers. The Company also offers access to its products to qualified independent interior designers through our interior design affiliate ("IDA") program. Retail revenue is generated upon the retail sale and delivery of our products to our retail customers through our network of service centers. Retail profitability reflects (i) the retail gross margin, which represents the difference between the retail net sales price and the cost of goods, purchased primarily from the wholesale segment, and (ii) other operating costs associated with retail segment activities.

We measure the performance of our design centers based on net sales and written orders booked on a comparable period basis. Comparable design centers are those which have been operating for at least 15 months. During the first three months of operations of newly opened (including relocated) design centers, written orders are booked but minimal net sales are achieved through the delivery of products. Design centers we acquire 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 also affect the comparability of orders booked during a given period.

We pursue further expansion of the Company operated retail business by adding interior design professionals and expanding the IDA program, opening new design centers, relocating existing design centers and, when appropriate, acquiring design centers from independent retailers. During fiscal 2015, we opened four new design centers, two of which were relocations. The geographic distribution of retail design center locations is included under Item 2 of Part I of this Annual Report.

Products

Our strategy has been to position Ethan Allen as a preferred brand offering complimentary design service together with products of superior style, quality and value to provide consumers with a comprehensive, one-stop shopping solution for their home furnishing and interior design needs. In carrying out our strategy, we continue to expand our reach to a broader consumer base through a diverse selection of attractively priced products, designed to complement one another, reflecting current fashion trends in home decorating. During fiscal 2015, the Company significantly strengthened its product offerings by introducing new products to retail consumers in case goods, upholstery, and home accents, by introducing a very large collection of new products and existing products in new finishes under the umbrella of "Classics". Regular product introductions, a broad range of styles and custom options within our upholstery and case good lines and expanded product offerings to accommodate today's home decorating trends, continue to define Ethan Allen, positioning us as a leader in home fashion.

The interior of our design centers, which were substantially refreshed during the fiscal year, are organized to facilitate display of our product offerings, both in room settings that project the category lifestyle and by product grouping to facilitate comparisons of the styles and tastes of our clients. To further enhance the experience, technology is used to expand the range of products viewed by including content from our website in applications used on large touch-screen flat panel displays.

We continuously monitor changes in home fashion trends through attendance at international industry events and fashion shows, internal market research, and regular communication with our retailers and design center design consultants who provide valuable input on consumer trends. We believe that the observations and input gathered enable us to incorporate appropriate style details into our products to react quickly to changing consumer tastes.

Product Development and Sourcing Activities

Using a combination of on staff and outsourced product designers, we design the majority of the products we sell; all of which are branded Ethan Allen. This important facet of our vertically integrated business enables us to control the design specifications and establish consistent levels of quality across our product offerings. We manufacture and / or assemble approximately 70% of the products we sell in our own North American plants making us one of the largest manufacturers of home furnishings in the United States. To capitalize on this vertical integration, during fiscal 2014 and during fiscal 2015 the Company undertook a significant redesign of products, which were introduced in the fall and spring of fiscal 2015, to take advantage of the Company's custom manufacturing capabilities in its North American plants. Our main manufacturing facilities are located in the Northeast and Southeast regions of the United States supported by an upholstery plant in Mexico and a case goods plant in Honduras. Our plants are located near sources of raw materials and skilled artisans. We source approximately 30% of the products we sell from third-party suppliers, most of which are located outside the United States, primarily in Asia. We carefully select our sourcing partners and require them to provide products according to our specifications and quality standards. We believe that strategic investments in our manufacturing facilities balanced with outsourcing from foreign and domestic suppliers will accommodate significant future sales growth and allow us to maintain an appropriate degree of control over cost, quality and service to our customers.

We take pride in our "green" initiatives including but not limited to the use of responsibly harvested Appalachian woods and expanded use of water based finishes and recycled materials in our products. In November 2013, after previously implementing the Enhancing Furniture's Environmental Culture (EFEC) environmental management system sponsored by the American Home Furnishing Alliance (AHFA) at all of its domestic manufacturing facilities, our manufacturing division was awarded Sustainable by Design (SBD) registration which is the highest level of achievement under the EFEC program. The Company has also expanded its EFEC registration to all of its corporate distribution and home delivery service centers. SBD provides a framework for home furnishings companies to create and maintain a corporate culture of conservation and environmental stewardship by integrating socio-economic policies and sustainable business practices into their manufacturing operations and sourcing strategies.

Raw Materials and Other Suppliers

The most important raw materials we use in furniture manufacturing are lumber, veneers, plywood, hardware, glue, finishing materials, glass, laminates, fabrics, foam, and filling material. The various types of wood used in our products include cherry, ash, oak, maple, prima vera, African mahogany, birch, rubber wood and poplar.

Fabrics and other raw materials are purchased both domestically and outside the United States. We have no significant long-term supply contracts, and have sufficient alternate sources of supply to prevent disruption in supplying our operations. We maintain a number of sources for our raw materials, which we believe contribute to our ability to obtain competitive pricing. Lumber prices and availability fluctuate over time based on factors such as weather and demand. The cost of some of our raw materials such as foam and shipping costs are dependent on petroleum cost. Higher material prices, cost of petroleum, and costs of sourced products could have an adverse effect on margins.

Appropriate amounts of lumber and fabric inventory are typically stocked to maintain adequate production levels. We believe that our sources of supply for these materials are sufficient and that we are not dependent on any one supplier.

We enter into standard purchase agreements with certain foreign and domestic suppliers to source selected case goods, upholstery, and home accessory items. The terms of these arrangements are customary for the industry and do not contain any long-term contractual obligations on our behalf. We believe we maintain good relationships with our suppliers.

Distribution and Logistics

We distribute our products through two distribution centers, owned by the Company, strategically located in Virginia and Oklahoma. These distribution centers provide efficient cross-dock operations to receive and ship product from our manufacturing facilities and third-party suppliers to our network of Company and independently operated retail service centers. Retail service centers prepare products for delivery into clients' homes. At June 30, 2015, the Company operated retail design centers were supported by 14 Company operated retail service centers plus 15 service centers operated by third parties.

While we manufacture to custom order the majority of our products, we also stock selected case goods, upholstery and home accents to provide for quick delivery of in-stock items and to allow for more efficient production runs. Wholesale shipments utilize our own fleet of trucks and trailers or are subcontracted with independent carriers. Approximately 89% of our fleet (trucks and trailers) is owned, with the remainder under capital lease agreements with remaining terms ranging from two to three years.

Our practice has been to sell our products at the same delivered cost to all Company and independently operated design centers in North America, regardless of their shipping point. This policy creates pricing credibility with our wholesale customers while providing our retail network the opportunity to achieve more consistent margins by removing fluctuations attributable to the cost of shipping. Further, this policy eliminates the need for our independent retailers to carry significant amounts of inventory in their own warehouses. As a result, we obtain more accurate consumer product demand information.

Marketing Programs

Our marketing and advertising strategies are developed to drive traffic into our network of design centers and to ethanallen.com. We believe these strategies give Ethan Allen a strong competitive advantage in the home furnishings industry. We create and coordinate print, digital and television campaigns nationally, as well as assist in international and local marketing and promotional efforts. The Company's network of approximately 300 retail design centers, along with the independent members of the Interior Design Affiliate program, benefit from these marketing efforts, and we believe these efforts position us to consistently fulfill our brand promise as America's Classic Design Brand.

Our team of advertising specialists creates consistent, clear messages that Ethan Allen is a leader in home fashion, designer services and classic style, with everything for the well designed home. We use several forms of media to communicate our message, including television (national and local), direct mail, newspapers, shelter magazines, social media, and digital advertising. These messages are also conveyed on our website at ethanallen.com. A strong email marketing program delivers promotional messages, inspiration, design ideas and product brochures to a growing database of clients.

Our national television, social media, online and print advertising campaigns are designed to leverage our strong brand equity, finding creative and compelling ways to remind consumers of our tremendous range of products, services, special programs, and custom options. Coordinated local television and print advertising also serve to support our national programs.

The Ethan Allen direct mail magazine, which emphasizes the eclectic mix of our wide breadth of products and services, is a key marketing tool. We publish these magazines and sell them to Company and independently operated design centers that use demographic information collected internally and through independent market research to target potential clients. Given the importance of this advertising medium, direct mail marketing lists are continually refined to target those consumers who are most likely to purchase, and improve the return on direct mail expenditures. Approximately 30 million copies of our direct mail magazine were distributed to consumers during fiscal 2015.

At ethanallen.com we provide our clients and our associates with the tools they need to shop and design. The website, which was redesigned and re-launched in fiscal 2015, features inspiring photography, engaging video content, and a rich yet streamlined shopping experience. Some of the newest features include an online gift registry, live chat, and our new interior design blog, The Muse.

Those looking to shop our site can do so by product or by room in an easy-to-navigate format. The site's "My Projects" tool lets visitors create idea boards and even gives them the option of consulting with a design professional from their local Ethan Allen design center. Visitors to ethanallen.com will also find all our latest news and promotional information. Nearly all of our products are available for purchase online.

Ethan Allen also has local websites in various international regions to support our international licensees. These websites, some in local languages, provide a regionalized presentation of the brand while also linking to our main website.

To enhance the Ethan Allen client experience, our design centers have interactive touchscreens, where users can browse our full product catalog, check out hundreds of fully designed rooms, print product descriptions, learn about promotions, and much more. Our design consultants utilize customized tablets so they can be more productive in our design centers and in our clients' homes.

Our social media content is updated regularly and offers fans and followers inspirational images, trend information, and design ideas, as well as tips for how to bring distinctive Ethan Allen style to their homes.

We also have a robust and informative extranet available to our retailers and design professionals. It is the primary source of communication in and among members of our retail network. It provides information about every aspect of the retail business at Ethan Allen, including advertising materials, prototype floor plan displays, and extensive product details.

Retail Design Center Network

Ethan Allen design centers are typically located in busy retail settings as freestanding destinations or as part of suburban strip malls or shopping malls, depending upon the real estate opportunities in a particular market. Our design centers average approximately 16,000 square feet in size with 80% between 15,000 and 25,000 square feet.

By combining technology with personal service in our design centers, the new and relocated design centers that we have opened in the past three fiscal years average 10,500 square feet. These smaller footprint design centers reflect our direction as we move forward in repositioning our retail design center network. These new and relocated design centers also reflect our shift from destination and shopping mall locations to lifestyle centers that better project our brand and offer increased traffic opportunities.

We maintain consistency of presentation throughout the retail design center network through a comprehensive set of standards and display planning assistance. These interior display design standards assist each design center in presenting a high quality image by using focused lifestyle settings and select product category groupings to display our products and information to facilitate design solutions and to educate consumers. We also create a consistent brand projection through our exterior facades and signage. The establishment of these standards has helped position Ethan Allen as a leader in home furnishings retailing.

We continue to strengthen the retail network with many initiatives, including the opening of new and relocating design centers in desirable locations, updating presentations and floor plans, strengthening of the professionalism of our designers through training and certification, and the consolidation of certain design centers and service centers.

People

At June 30, 2015, the Company had approximately 5,000 employees (“associates”), none of whom are represented by unions. We believe we maintain good relationships with our employees.

The retail network, which includes both Company and independently operated design centers, is staffed with a sales force of interior design consultants and service professionals who provide customers with complimentary home decorating and interior design solutions. Our interior design associates receive specialty training with respect to the distinctive design and quality features inherent in each of our products and programs. This enables them to more effectively communicate the elements of style and value that serve to differentiate us from our competition. As such, we believe our design consultants, and the complimentary service they provide, create a distinct competitive advantage over other home furnishing retailers. We continue to strengthen the level of service, professionalism, interior design competence, efficiency, and effectiveness of retail design center associates. The Company’s interior design affiliate program adds further strength and breadth to our interior design reach. We believe that this program augments the design center design staff to reach more clients and improve market penetration.

We recognize the importance of our retail design center network to our long-term success. Accordingly, we believe we (i) have established a strong management team within Company operated design centers and (ii) continue to work closely with our independent retailers in order to assist them. With this in mind, we make our services available to every design center, whether independently operated or Company operated, in support of their marketing efforts, including coordinated advertising, merchandising and display programs, and by providing extensive training seminars and educational materials. We believe that the development of design consultants, service and delivery personnel, and independent retailers is important for the growth of our business. As a result, we have committed to make available comprehensive retail training programs intended to increase the customer service capabilities of each individual.

Customer Service Offerings

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

Gift Card
This program allows customers to purchase and redeem gift cards through our website or at any participating retail design center, which can be used for any of our products or services.

Ethan Allen Consumer Credit Programs
The Ethan Allen Platinum program offers consumers (clients) a menu of custom financing options. Financing offered is administered by a third-party financial institution and is granted to our customers on a non-recourse basis to the Company. Clients may apply for an Ethan Allen Platinum card at any participating design center or on-line at ethanallen.com.

Competition

The domestic and global home furnishings industry faces numerous challenges, which include an influx of low-priced products from overseas. As a result, there is a high degree of competition in our markets. We differentiate ourselves as a preferred brand by adhering to a business strategy focused on providing (i) high-quality, well designed and often custom, handmade products at good value, (ii) a comprehensive complement of home furnishing design solutions, including our complimentary design service, and (iii) excellence in customer service. We consider our vertical integration a significant competitive advantage in the current environment as it allows us to design, manufacture and source, distribute, market, and sell our products through one of the industry's largest single-source retail networks.

The internet also provides a highly competitive medium for the sale of a significant amount of home furnishings each year, and we believe it is becoming increasingly important. Although much of that product is sold through commodity oriented, low priced and low service retailers, we believe consumers are spending more time window shopping on the internet and are thus better informed when they do visit our brick and mortar facilities. At Ethan Allen, the ultimate goal of our internet strategy is to drive traffic into our network of design centers by combining technology with excellent personal service. At ethanallen.com, customers have the opportunity to buy our products online but we take the process further. With so much of our product offering being custom, we encourage our website customers to get help from our network of interior design professionals. This complimentary interior design support creates a competitive advantage through our excellent personal service. This enhances the online experience and regularly leads to internet customers becoming clients of our network of interior design centers.

Industry globalization has provided us an opportunity to adhere to a blended sourcing strategy, establishing relationships with certain manufacturers, both domestically and outside the United States, to source selected case goods, upholstery, and home accessory items. We intend to continue to balance our own North American production with opportunities to source from foreign and domestic manufacturers, as appropriate, in order to maintain our competitive advantage.

We believe the home furnishings industry competes primarily on the basis of product styling and quality, personal service, prompt delivery, product availability and price. We further believe that we effectively compete on the basis of each of these factors and that, more specifically, our direct manufacturing, product presentations, website, and complimentary design service create a distinct competitive advantage, further supporting our mission of providing consumers with a complete home decorating and design solution. We also believe that we differentiate ourselves further with the quality of our design service through our intensive training. Our objective is to continue to develop and strengthen our retail network by (i) expanding the Company operated retail business through the repositioning of and opening of new design centers, and (ii) obtaining and retaining independent retailers, encouraging such retailers to expand their business through the opening or relocation of new design centers with the objective of increasing the volume of their sales and (iii) further expanding our sales network through our IDA and realtor referral programs.

Trademarks

We currently hold, or have registration applications pending for, numerous trademarks, service marks and design patents for the Ethan Allen name, logos and designs in a broad range of classes for both products and services in the United States and in many foreign countries. In addition, we have registered, or have applications pending for certain of our slogans utilized in connection with promoting brand awareness, retail sales and other services and certain collection names. We view such trademarks and service marks as valuable assets and have an ongoing program to diligently monitor and defend, through appropriate action, against their unauthorized use.

Available Information

We make available, free of charge via our website, all Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other information filed with, or furnished to, the Securities and Exchange Commission (the "SEC" or the "Commission"), including amendments to such reports. This information is available at www.ethanallen.com/investors as soon as reasonably practicable after it is electronically filed with, or furnished to, the SEC. In addition, the SEC maintains a website that contains reports, proxy and information statements, and other information regarding companies that file electronically with the Commission. This information is available at www.sec.gov.

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

Item 1A. Risk Factors

The following information describes certain significant risks and uncertainties inherent in our business that should be carefully considered, along with other information contained elsewhere in this report and in other filings, when making an investment decision with respect to us. If one or more of these risks actually occurs, the impact on our business, including our financial condition, results of operations, and cash flows could be adverse.

An economic downturn may materially adversely affect our business.

Our business and results of operations are affected by international, national and regional economic conditions. Regional economic conditions in the United States and in other regions of the world where we have a concentration of design centers such as Canada or China may impact the Company greater compared to economic conditions in other parts of the world where we have lesser concentration of design centers. The United States and many other international economies experienced a major recession, which reduced the available market size for our industry from historic peak levels. While we have recalibrated the footprint of our vertically integrated enterprise to be profitable with lower revenues than achieved at our historic peak, an economic downturn of significance or extended duration could adversely affect consumer demand and discretionary spending habits and, as a result, our business performance, profitability, and cash flows.

Access to consumer credit could be interrupted and reduce sales and profitability.

Our ability to continue to access consumer credit for our clients could be negatively affected by conditions outside our control. If capital market conditions were to worsen meaningfully, there is a risk that our business partner that issues our private label credit card program may not be able to fulfill its obligations under that agreement. In addition, further tightening of credit markets may restrict the ability and willingness of customers to make purchases.

We may be unable to obtain sufficient external funding to finance our operations and growth.

Historically, we have relied upon our cash from operations to fund our debt service, operations and growth. As we operate and expand our business, we may rely on external funding sources, including the proceeds from the issuance of additional debt or use of the $115 million revolving bank line of credit under our existing $150 million credit facility. The credit facility bears interest at a floating rate and there is a risk that the rate will increase and as we are not hedging our interest rate for the credit facility, our debt service costs could increase. Any unexpected reduction in cash flow from operations could increase our external funding requirements to levels above those currently available. There can be no assurance that we will not experience unexpected cash flow shortfalls in the future or that any increase in external funding required by such shortfalls will be available on acceptable terms or at all.

Operating losses could reduce our liquidity and impact our dividend policy.

Historically, we have relied on our cash from operations or debt issuances to fund our operations and the payment of cash dividends. If the Company’s financial performance were to deteriorate resulting in financial losses we may not be able to fund a shortfall from operations and would require external funding. Some financing instruments used by the Company historically may not be available to the Company in the future. We cannot assure that additional sources of financing would be available to the Company on commercially favorable terms should the Company's capital requirements exceed cash available from operations and existing cash and cash equivalents. In such circumstances, the Company may reduce its quarterly dividends.

Additional impairment charges could reduce our profitability.

We have significant long-lived tangible and intangible assets recorded on our balance sheets. If our operating results decline, we may incur impairment charges in the future, which could have a material impact on our financial results. We evaluate the recoverability of the carrying amount of our long-lived tangible and intangible assets on an ongoing basis. There can be no assurance that the outcome of such future reviews will not result in substantial impairment charges. Impairment assessment inherently involves judgments as to assumptions about expected future cash flows and the impact of market conditions on those assumptions. Future events and changing market conditions may impact our assumptions as to prices, costs or other factors that may result in changes in our estimates of future cash flows. Although we believe the assumptions we use in testing for impairment are reasonable, significant changes in any of our assumptions could produce a significantly different result.

We face changes in global and local economic conditions that may adversely affect consumer demand and spending, our manufacturing operations or sources of merchandise.

Historically, the home furnishings industry has been subject to cyclical variations in the general economy and to uncertainty regarding future economic prospects. Such uncertainty, as well as other variations in global economic conditions such as rising fuel costs, wage and benefit inflation, currency fluctuations, and increasing interest rates, may continue to cause inconsistent and unpredictable consumer spending habits, while increasing our own input costs. These risks, as well as industrial accidents or work stoppages, could also severely disrupt our manufacturing operations, which could have a material adverse effect on our financial performance.

We import a portion of our merchandise from foreign countries and operate manufacturing plants in Mexico and Honduras. As a result, our ability to obtain adequate supplies or to control our costs may be adversely affected by events affecting international commerce and businesses located outside the United States, including natural disasters, changes in international trade, central bank actions, changes in the relationship of the U.S. dollar versus other currencies, labor availability and cost, and other governmental policies of the U.S. and the countries from which we import our merchandise or in which we operate facilities. The inability to import products from certain foreign countries or the imposition of significant tariffs could have a material adverse effect on our results of operations.

Competition from overseas manufacturers and domestic retailers may adversely affect our business, operating results or financial condition.

Our wholesale business segment is involved in the development of our brand, which encompasses the design, manufacture, sourcing, sales and distribution of our home furnishings products, and competes with other U.S. and foreign manufacturers. Our retail network sells home furnishings to consumers through a network of Company operated design centers, and competes against a diverse group of retailers ranging from specialty stores to traditional furniture and department stores, any of which may operate locally, regionally and nationally, as well as over the internet. We also compete with these and other retailers for appropriate retail locations as well as for qualified design consultants and management personnel. Such competition could adversely affect our future financial performance.

Industry globalization has led to increased competitive pressures brought about by the increasing volume of imported finished goods and components, particularly for case good products, and the development of manufacturing capabilities in other countries, specifically within Asia. The increase in overseas production capacity has created over-capacity for many manufacturers, including us, which has led to industry-wide plant consolidation. In addition, because many foreign manufacturers are able to maintain substantially lower production costs, including the cost of labor and overhead, imported product may be capable of being sold at a lower price to consumers, which, in turn, could lead to some measure of further industry-wide price deflation.

We cannot provide assurance that we will be able to establish or maintain relationships with sufficient or appropriate manufacturers, whether foreign or domestic, to supply us with selected case goods, upholstery and home accessory items to enable us to maintain our competitive advantage. In addition, the emergence of foreign manufacturers has served to broaden the competitive landscape. Some of these competitors produce furniture types not manufactured by us and may have greater financial resources available to them or lower costs of operating. This competition could adversely affect our future financial performance.

Failure to successfully anticipate or respond to changes in consumer tastes and trends in a timely manner could adversely impact our business, operating results and financial condition.

Sales of our products are dependent upon consumer acceptance of our product designs, styles, quality and price. We continuously monitor changes in home design trends through attendance at international industry events and fashion shows, internal marketing research, and regular communication with our retailers and design consultants who provide valuable input on consumer tendencies. However, as with all retailers, our business is susceptible to changes in consumer tastes and trends. Such tastes and trends can change rapidly and any delay or failure to anticipate or respond to changing consumer tastes and trends in a timely manner could adversely impact our business, operating results and financial condition.

Our number of manufacturing and logistics sites may increase our exposure to business disruptions and could result in higher transportation costs.

We have a limited number of manufacturing sites in our case good and upholstery operations, consolidated our distribution network into fewer centers for both wholesale and retail segments, and operate a single home accents plant. Our upholstery operations consist of two upholstery plants at our North Carolina campus and one plant in Mexico. The Company operates three manufacturing plants (North Carolina, Vermont, and Honduras) and one sawmill in support of our case goods operations. Our plants require various raw materials and commodities such as logs and lumber for our case good plants and foam, springs and engineered hardwood board for our upholstery plants. As a result of the consolidation of our manufacturing operations into fewer facilities, if any of our manufacturing or logistics sites experience significant business interruption, our ability to manufacture products or deliver timely would likely be impacted. While we have long-standing relationships with multiple outside suppliers of our raw materials and commodities, there can be no assurance of their ability to fulfill our supply needs on a timely basis. The consolidation to fewer locations has resulted in longer distances for delivery and could result in higher costs to transport products if fuel costs increase significantly.

Our current and former manufacturing and retail operations and products are subject to increasingly stringent environmental, health and safety requirements.

We use and generate hazardous substances in our manufacturing and retail operations. In addition, both the manufacturing properties on which we currently operate and those on which we have ceased operations are and have been used for industrial purposes. Our manufacturing operations and, to a lesser extent, our retail operations involve risk of personal injury or death. We are subject to increasingly stringent environmental, health and safety laws and regulations relating to our products, current and former properties and our current operations. These laws and regulations provide for substantial fines and criminal sanctions for violations and sometimes require product recalls and/or redesign, the installation of costly pollution control or safety equipment, or costly changes in operations to limit pollution or decrease the likelihood of injuries. In addition, we may become subject to potentially material liabilities for the investigation and cleanup of contaminated properties and to claims alleging personal injury or property damage resulting from exposure to or releases of hazardous substances or personal injury because of an unsafe workplace.

In addition, noncompliance with, or stricter enforcement of, existing laws and regulations, adoption of more stringent new laws and regulations, discovery of previously unknown contamination or imposition of new or increased requirements could require us to incur costs or become the basis of new or increased liabilities that could be material.

Fluctuations in the price, availability and quality of raw materials could result in increased costs or cause production delays which might result in a decline in sales, either of which could adversely impact our earnings.

We use various types of wood, foam, fibers, fabrics, leathers, and other raw materials in manufacturing our furniture. Certain of our raw materials, including fabrics, are purchased domestically and outside North America. Fluctuations in the price, availability and quality of raw materials could result in increased costs or a delay in manufacturing our products, which in turn could result in a delay in delivering products to our customers. For example, lumber prices fluctuate over time based on factors such as weather and demand, which in turn, impact availability. Production delays or upward trends in raw material prices could result in lower sales or margins, thereby adversely impacting our earnings.

In addition, certain suppliers may require extensive advance notice of our requirements in order to produce products in the quantities we desire. This long lead -time may require us to place orders far in advance of the time when certain products will be offered for sale, thereby exposing us to risks relating to shifts in consumer demand and trends, and any significant downturn in the U.S. economy.

We depend on key personnel and could be affected by the loss of their services.

The success of our business depends upon the services of certain senior executives, and in particular, the services of M. Farooq Kathwari, Chairman of the Board, President and Chief Executive Officer, who is the only one of our senior executives who operates under a written employment agreement. The loss of any such person or other key personnel could have a material adverse effect on our business and results of operations.

Our business is sensitive to increasing labor costs, competitive labor markets, our continued ability to retain high-quality personnel and risks of work stoppages.

The market for qualified employees and personnel in the retail and manufacturing industries is highly competitive. Our success depends upon our ability to attract, retain and motivate qualified artisans, professional and clerical associates and upon the continued contributions of these individuals. We cannot provide assurance that we will be successful in attracting and retaining qualified personnel. A shortage of qualified personnel may require us to enhance our wage and benefits package in order to compete effectively in the hiring and retention of qualified employees. Our labor and benefit costs may continue to increase and such increases may not be recovered. This could have a material adverse effect on our business, operating results and financial condition.

Our success depends upon our brand, marketing and advertising efforts and pricing strategies. If we are not able to maintain and enhance our brand, or if we are not successful in these other efforts, our business and operating results could be adversely affected.

Maintaining and enhancing our brand is critical to our ability to expand our base of customers and may require us to make substantial investments. Our advertising campaign utilizes television, direct mail, newspapers, magazines and radio to maintain and enhance our existing brand equity. We cannot provide assurance that our marketing, advertising and other efforts to promote and maintain awareness of our brand will not require us to incur substantial costs. If these efforts are unsuccessful or we incur substantial costs in connection with these efforts, our business, operating results and financial condition could be adversely affected.

We may not be able to maintain our current design center locations at current costs. We may also fail to successfully select and secure design center locations.

Our design centers are typically located in busy urban settings as freestanding destinations or as part of suburban strip malls or shopping malls, depending upon the real estate opportunities in a particular market. Our business competes with other retailers and as a result, our success may be affected by our ability to renew current design center leases and to select and secure appropriate retail locations for existing and future design centers.

Our results of operations for any quarter are not necessarily indicative of our results of operations for a full year.

Sales of furniture and other home furnishing products fluctuate from quarter to quarter due to such factors as changes in global and regional economic conditions, changes in competitive conditions, changes in production schedules in response to seasonal changes in energy costs and weather conditions, changes in consumer order patterns, and the timing of various promotional events. From time to time, we have experienced, and may continue to experience, volatility with respect to demand for our home furnishing products. Accordingly, results of operations for any quarter are not necessarily indicative of the results of operations for a full year.

Failure to protect our intellectual property could adversely affect us.

We believe that our patents, trademarks, service marks, trade secrets, copyrights and all of our other intellectual property are important to our success. We rely on patent, trademark, copyright and trade secret laws, and confidentiality and restricted use agreements, to protect our intellectual property and may seek licenses to intellectual property of others. Some of our intellectual property is not covered by any patent, trademark, or copyright or any applications for the same. We cannot provide assurance that agreements designed to protect our intellectual property will not be breached, that we will have adequate remedies for any such breach, or that the efforts we take to protect our proprietary rights will be sufficient or effective. Any significant impairment of our intellectual property rights or failure to obtain licenses of intellectual property from third parties could harm our business or our ability to compete. Moreover, we cannot provide assurance that the use of our technology or proprietary know-how or information does not infringe the intellectual property rights of others. If we have to litigate to protect or defend any of our rights, such litigation could result in significant expense.

The Company relies heavily on information and technology to operate its business, and any disruption to its technology infrastructure or the internet could harm the Company's operations.

We operate many aspects of our business including financial reporting, and customer relationship management through server and web-based technologies, and store various types of data on such servers or with third-parties who in turn store it on servers and in the “cloud”. Any disruption to the internet or to the Company's or its service providers' global technology infrastructure, including malware, insecure coding, “Acts of God,” attempts to penetrate networks, data theft or loss and human error, could have adverse affects on the Company's operations. While we have invested and continue to invest in information technology risk management, cybersecurity and disaster recovery plans, these measures cannot fully insulate the Company from technology disruptions or data theft or loss and the resulting adverse effect on the Company's operations and financial results.

We could incur substantial costs due to compliance with conflict mineral regulations, which may materially adversely affect our business, operating results, and financial condition.

The SEC has adopted rules regarding disclosure of the use of conflict minerals (commonly referred to as tantalum, tin, tungsten, and gold), which are mined from the Democratic Republic of the Congo and surrounding countries. This requirement could affect the sourcing of materials used in some of our products as well as the companies we use to manufacture our products. If our products are found to contain conflict minerals sourced from the Democratic Republic of the Congo or surrounding countries, the Company would take actions such as changing materials or designs to reduce the possibility that the purchase of conflict minerals may fund armed groups in the region. These actions could add engineering and other costs to the manufacture of our products.

We expect to incur costs to continue to upgrade our process to discover the origin of the tantalum, tin, tungsten, and gold used in our products, and to audit our conflict minerals disclosures. Our reputation and consequently our financial condition may also suffer if we have included conflict minerals originating in the Democratic Republic of the Congo or surrounding countries in our products, and those conflict minerals funded armed groups in the region.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our 144,000 sq. ft. corporate headquarters, located in Danbury, Connecticut, and adjacent Ethan Allen Hotel and Conference Center, containing approximately 200 guestrooms, are owned by the Company. The hotel is used primarily for functions and accommodations for the general public as well as in connection with Ethan Allen functions and training programs.

We operate eight manufacturing facilities located in the U.S., Mexico and Honduras. All of these facilities are owned by the Company and include four case good plants (including one sawmill) totaling 1,731,000 square feet, three upholstery furniture plants totaling 961,000 square feet, and one home accessory plant of 295,000 square feet. Our wholesale division also owns and operates two national distribution and fulfillment centers which are a combined 883,000 square feet. Two of our case goods manufacturing facilities are located in Vermont, one is in North Carolina and one is in Honduras. We have two upholstery manufacturing facilities at our North Carolina campus, and one in Mexico. Our distribution facilities are located in Virginia and Oklahoma.

We own three and lease eleven retail service centers, totaling 741,000 square feet. Our retail service centers are located throughout the United States and Canada and serve to support our various retail sales districts.

The location activity and geographic distribution of our retail design center network as of June 30, 2015 is as follows:

	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	22	4	26	10	9	19
Closures	(17)	(5)	(22)	(6)	(13)	(19)
Transfers	(2)	2	-	-	-	-
Balance at end of period	155	144	299	152	143	295
Relocations (in new and closures)	7	2	9	-	6	6
Retail Design Center geographic locations:						
United States	58	137	195	61	135	196
Canada	2	6	8	4	6	10
Asia	87	-	87	81	-	81
Europe	1	1	2	1	2	3
Middle East	7	-	7	5	-	5
Total	155	144	299	152	143	295

Of the 144 Company operated retail design centers, 70 of the properties are owned and 74 of the properties are leased from independent third parties. Of the 70 owned design centers, 17 are subject to land leases. We own six additional retail properties, two of which are leased to independent Ethan Allen retailers, and four of which are leased to unaffiliated third parties. See Note 7 to the Consolidated Financial Statements included under Item 8 of this Annual Report for more information with respect to our operating lease obligations.

We believe that all of our properties are well maintained and in good condition. We estimate that our manufacturing plants are currently operating at approximately 71% of capacity based on their current shifts and staffing. We believe we have additional capacity at selected facilities, which we could utilize with minimal additional capital expenditures.

Item 3. Legal Proceedings

We are a party to various legal actions with customers, employees and others arising in the normal course of our business. We maintain liability insurance, which is deemed to be adequate for our needs and commensurate with other companies in the home furnishings industry. We believe that the final resolution of pending actions (including any potential liability not fully covered by insurance) will not have a material adverse effect on our financial condition, results of operations, or cash flows.

Environmental Matters

We and our subsidiaries are subject to various environmental laws and regulations. Under these laws, we and/or our subsidiaries are, or may be, required to remove or mitigate the effects on the environment of the disposal or release of certain hazardous materials. We believe our currently anticipated capital expenditures for environmental control facility matters are not material.

We are subject to other federal, state and local environmental protection laws and regulations and are involved, from time to time, in investigations and proceedings regarding environmental matters. Such investigations and proceedings typically concern air emissions, water discharges, and/or management of solid and hazardous wastes. We believe that our facilities are in material compliance with all applicable environmental laws and regulations.

Federal and state regulations provided the initiative for us 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.

Item 4. Mine Safety Disclosures

Not applicable

PART II

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

Our common stock is traded on the New York Stock Exchange ("NYSE") under ticker symbol "ETH". The following table sets forth, for each quarterly period during the past two fiscal years, (i) the intraday high and low sales prices of our common stock as reported on the NYSE and (ii) the dividends per share paid by us:

	Market Price		Dividends
	High	Low	Per Share
Fiscal 2015			
First Quarter	$ 26.84	$ 22.06	$ 0.12
Second Quarter	31.24	22.58	0.12
Third Quarter	32.63	25.31	0.12
Fourth Quarter	28.25	23.33	0.14
Fiscal 2014			
First Quarter	$ 31.25	$ 25.30	$ 0.10
Second Quarter	31.09	23.88	0.10
Third Quarter	31.52	24.03	0.10
Fourth Quarter	27.63	22.83	0.10

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

As of July 31, 2015, there were 247 shareholders of record of our common stock. Management estimates there are approximately 9,000 beneficial shareholders of the Company's common stock. The Company's policy is to issue quarterly dividends, and we expect to continue to declare quarterly dividends for the foreseeable future, business conditions permitting.

Equity Compensation Plan Information

The Equity Compensation Plan Information required by this Item will appear in the Ethan Allen Interiors Inc. proxy statement for the Annual Meeting of Shareholders scheduled to be held on October 15, 2015 and is incorporated herein by reference in the introductory paragraph of Part III of this Annual Report.

Issuer Purchases of Equity Securities

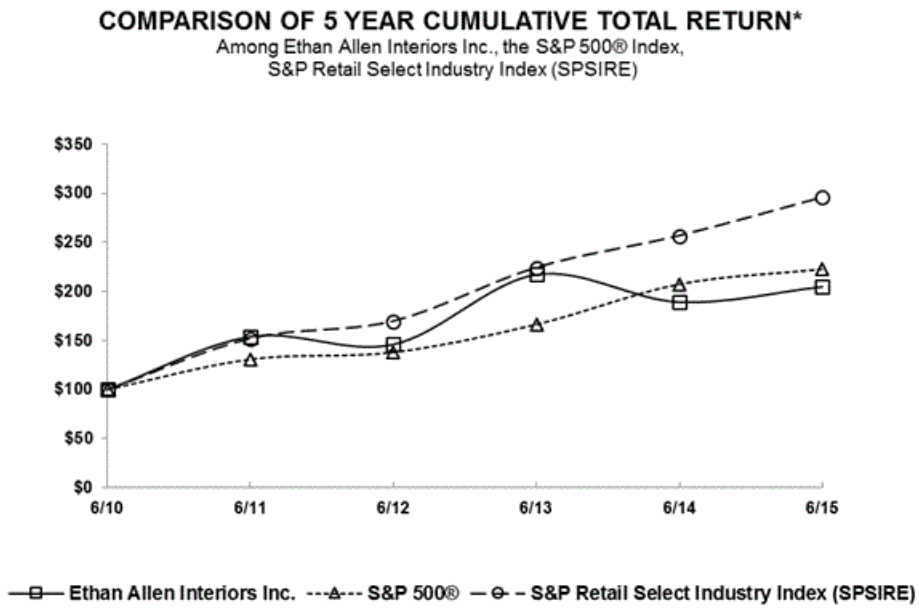
During the fiscal year ended June 30, 2015 the Company repurchased 645,831 shares of our common stock at an average price of $25.50 per share. Certain information regarding purchases of our common stock made by us during the three months ended June 30, 2015 is as follows:

Period	Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
April 2015	100,000	$ 24.88	100,000	2,897,724
May 2015	416,329	$ 25.34	416,329	2,481,395
June 2015	25,736	$ 24.89	25,736	2,455,659
Total	542,065	$ 25.23	542,065	

On November 21, 2002, our Board of Directors approved a share repurchase program authorizing us to repurchase up to 2,000,000 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. Subsequent to that date, the Board of Directors increased the remaining authorization on several separate occasions, the last of which was on April 13, 2015 when the Board of Directors increased the purchase authorization to approximately 3,000,000 shares.

Comparative Company Performance

The following line graph compares the cumulative total stockholder return for the Company with the S&P 500 Index, and the S&P Retail Select Industry Index (SPSIRE), assuming $100 was invested on June 30, 2010.



*$100 invested on 6/30/10 in stock or index, including reinvestment of dividends.
Fiscal years ending June 30.

Source: S&P Dow Jones Indices LLC

Item 6. Selected Financial Data

The following table presents selected financial data for the fiscal years ended June 30, 2015, 2014, 2013, 2012 and 2011 that has been derived from our consolidated financial statements (dollar amounts in thousands except per share data). The information set forth below should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations included under Item 7 of this Annual Report and our Consolidated Financial Statements (including the notes thereto) included under Item 8 of this Annual Report.

	Fiscal Year Ended June 30,				
	2015	2014	2013	2012	2011
Consolidated Operations Data					
Net Sales	$ 754,600	$ 746,659	$ 729,083	$ 729,373	$ 678,960
Cost of Sales	343,437	340,163	330,734	339,085	329,500
Selling, general and administrative expenses	345,229	336,860	337,912	340,591	317,527
Operating income (loss)	65,934	69,636	60,437	49,697	31,933
Interest and other expense, net	9,251	7,234	10,263	8,458	5,562
Income (loss) before income tax expense	56,683	62,402	50,174	41,239	26,371
Income tax expense (benefit)	19,541	19,471	17,696	(8,455)	(2,879)
Net income (loss)	$ 37,142	$ 42,931	$ 32,478	$ 49,694	$ 29,250
Per Share Data					
Net income (loss) per basic share	$ 1.29	$ 1.48	$ 1.13	$ 1.72	$ 1.02
Basic weighted average shares outstanding	28,874	28,918	28,864	28,824	28,758
Net income (loss) per diluted share	$ 1.27	$ 1.47	$ 1.11	$ 1.71	$ 1.01
Diluted weighted average shares outstanding	29,182	29,276	29,239	29,109	28,966
Cash dividends per share	$ 0.50	$ 0.40	$ 0.77	$ 0.30	$ 0.22
Other Information					
Depreciation and amortization	$ 19,142	$ 17,930	$ 18,008	$ 18,581	$ 20,816
Capital expenditures and acquisitions	$ 21,778	$ 19,305	$ 19,775	$ 23,404	$ 12,051
Working capital	$ 129,705	$ 169,582	$ 127,631	$ 131,715	$ 113,912
Current ratio	1.92 to 1	2.25 to 1	1.96 to 1	1.87 to 1	1.74 to 1
Effective tax rate	34.5%	31.2%	35.3%	-20.5%	-10.9%
Balance Sheet Data (at end of period)					
Total assets	$ 607,308	$ 654,434	$ 617,285	$ 644,788	$ 628,325
Total debt, including capital lease obligations	77,568	130,912	131,289	154,500	165,032
Shareholders' equity	$ 370,535	$ 367,467	$ 334,357	$ 321,868	$ 281,687
Debt as a percentage of equity	20.9%	35.6%	39.3%	48.0%	58.6%
Debt as a percentage of capital	17.3%	26.3%	28.2%	32.4%	36.9%

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

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

Forward-Looking Statements

Management's discussion and analysis of financial condition and results of operations and other sections of this Annual Report contain forward-looking statements relating to 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 this Annual Report and in our SEC filings; and our future decisions. Accordingly, actual circumstances and results could differ materially from those contemplated by the forward-looking statements.

Critical Accounting Policies

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

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

Revenue Recognition – Revenue is recognized when all of the following have occurred: persuasive evidence of a sales arrangement exists (e.g. a wholesale purchase order or retail sales invoice); the sales arrangement specifies a fixed or determinable sales price; title and risk of ownership has passed to the customer; no specific performance obligations remain; product is shipped or services are provided to the customer; collectability is reasonably assured. As such, revenue recognition generally occurs upon the shipment of goods to independent retailers or, in the case of Ethan Allen operated retail design centers, upon delivery to the customer. If a shipping charge is billed to customers, this is included in revenue. Recorded sales provide for estimated returns and allowances. We permit our customers to return defective products and incorrect shipments, and terms we offer are standard for the industry.

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

Retail Design Center Acquisitions - We account for the acquisition of retail design centers and related assets with the purchase method. Accounting for these transactions as purchase business combinations requires the allocation of purchase price paid to the assets acquired and liabilities assumed based on their fair values as of the date of the acquisition. The amount paid in excess of the fair value of net assets acquired is accounted for as goodwill.

Impairment of Long-Lived Assets and Goodwill – Goodwill and other indefinite-lived intangible assets are evaluated for impairment on an annual basis during the fourth quarter of each fiscal year, and between annual tests whenever events or circumstances indicate that the carrying value of the goodwill or other intangible asset may exceed its fair value. When testing goodwill for impairment, we may assess qualitative factors for some or all of our reporting units to determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying amount, including goodwill. Alternatively, we may bypass this qualitative assessment for some or all of our reporting units and determine whether the carrying value exceeds the fair value using a quantitative assessment as described below.

The recoverability of long-lived assets are evaluated for impairment by determining whether the carrying value will be recovered through the expected undiscounted future cash flows resulting from the use of the asset. In the event the sum of the expected undiscounted future cash flows is less than the carrying value of the asset, an impairment loss equal to the excess of the asset's carrying value over its fair value is recorded. The long-term nature of these assets requires the estimation of cash inflows and outflows several years into the future and only takes into consideration technological advances known at the time of the impairment test.

To evaluate goodwill using a quantitative assessment, the Company determines the current fair value of the reporting units using a combination of "Market" and "Income" approaches. In the Market approach, the "Guideline Company" method is used, which focuses on comparing the Company's risk profile and growth prospects to reasonably similar publicly traded companies. Key assumptions used for the Guideline Company method are total invested capital ("TIC") multiples for revenues and operating cash flows, as well as consideration of control premiums. The TIC multiples are determined based on public furniture companies within our peer group, and if appropriate, recent comparable transactions are considered. Control premiums are determined using recent comparable transactions in the open market. Under the Income approach, a discounted cash flow method is used, which includes a terminal value, and is based on external analyst financial projection estimates, as well as internal financial projection estimates prepared by management. The long-term terminal growth rate assumptions reflect our current long-term view of the market in which we compete. Discount rates use the weighted average cost of capital for companies within our peer group, adjusted for specific company risk premium factors.

The fair value of our trade name, which is the Company's only indefinite-lived intangible asset other than goodwill, is valued using the relief-from-royalty method. Significant factors used in trade name valuation are rates for royalties, future growth, and a discount factor. Royalty rates are determined using an average of recent comparable values. Future growth rates are based on the Company's perception of the long-term values in the market in which we compete, and the discount rate is determined using the weighted average cost of capital for companies within our peer group, adjusted for specific company risk premium factors.

In the fourth quarter of fiscal years 2015, 2014 and 2013, the Company performed qualitative assessments of the fair value of the wholesale reporting unit and concluded that the fair value of its goodwill exceeded its carrying value. In fiscal year 2011 the Company performed a quantitative assessment and determined the fair value of its wholesale reporting unit exceeded its carrying value by a substantial margin. The fair value of the trade name exceeded its carrying value by a substantial margin in fiscal years 2015, 2014, and 2013. To calculate fair value of these assets, management relies on estimates and assumptions which by their nature have varying degrees of uncertainty. Wherever possible, management therefore looks for third party transactions to provide the best possible support for the assumptions incorporated. Management considers several factors to be significant when estimating fair value including expected financial outlook of the business, changes in the Company's stock price, the impact of changing market conditions on financial performance and expected future cash flows, and other factors. Deterioration in any of these factors may result in a lower fair value assessment, which could lead to impairment of the long-lived assets and goodwill of the Company.

Income Taxes – Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Additional factors that we consider when making judgments about the deferred tax valuation include tax law changes, a recent history of cumulative losses, and variances in future projected profitability.

The Company evaluates, on a quarterly basis, uncertain tax positions taken or expected to be taken on tax returns for recognition, measurement, presentation, and disclosure in its financial statements. If an income tax position exceeds a 50% probability of success upon tax audit, based solely on the technical merits of the position, the Company recognizes an income tax benefit in its financial statements. The tax benefits recognized are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The liability associated with an unrecognized tax benefit is classified as a long-term liability except for the amount for which a cash payment is expected to be made or tax positions settled within one year. We recognize interest and penalties related to income tax matters as a component of income tax expense.

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

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

Results of Operations

For the year ended June 30, 2015, our net sales were $754.6 million, and gross profit was $411.2 million, both increasing 1.1% compared to fiscal 2014. Operating income decreased 5.3% over the prior fiscal year, and earnings per diluted share was $1.27, which was 13.6% below the year ended June 30, 2014. Net cash provided by operating activities was $55.1 million, a $4.8 million decrease over the prior fiscal year. Our wholesale division operating income grew $9.2 million, while the retail division's operating income was down $8.8 million from the prior fiscal year. Our liquidity continues to be strong, enabling us to reduce our debt by $53.3 million and increase our dividend payments during the fiscal year by 18.2% to $13.3 million, and repurchase $16.5 million of our common stock. At June 30, 2015 we had total cash and securities of $86.4 million, and working capital of $129.7 million.

Net sales for our wholesale business segment for fiscal 2015 grew 3.5% over the prior fiscal year, while net sales for our retail segment decreased 0.2% over the same period. Total written orders booked by our retail segment increased 3.9% for fiscal 2015 compared to fiscal 2014, and comparable design center written orders increased 4.4%. Net sales for the fourth quarter of fiscal 2015 compared to the prior year increased 0.2% in wholesale and decreased 2.3% in our retail segment, while total written orders booked by our retail segment increased 11.2% over the same period. Backlogs at June 30 2015 compared to one year earlier are up 41.8% and 18.6% by our wholesale and retail segments respectively. During fiscal 2015 our retail segment had significantly more clearance sales than in the prior year period as we sold off floor samples at a discount to make room for the first two phases of new product introductions, which impacted both retail sales and gross margin. We anticipate these clearance sales to continue during the first half of fiscal 2016 as we make room for the third phase of the product refresh that began in the first half of fiscal 2015.

We continue to make investments to strengthen the level of service, professionalism, interior design competence, efficiency, and effectiveness of the retail network design center personnel. We believe that over time, we will continue to benefit from (i) continuous repositioning and opening of new design centers in 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.

Our manufacturing and logistics operations gained efficiency by adding capacity in North Carolina and adding new technology to our operations. We estimate our manufacturing facilities are currently operating at approximately 71% of capacity based on their current shifts and staffing. We believe we have sufficient scalable capacity that can support strong sales growth while maintaining control over cost, quality and service to our customers.

Business Results:

Our revenues are comprised of (i) wholesale sales to independently operated and Company operated retail design centers and (ii) retail sales of Company operated design centers. See Note 15 to our Consolidated Financial Statements for the year ended June 30, 2015 included under Item 8 of this Annual Report.

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

	Fiscal Year Ended June 30,		
	2015	2014	2013
Revenue:			
Wholesale segment	$ 469.4	$ 453.6	$ 434.4
Retail segment	579.7	580.7	578.3
Elimination of inter-segment sales	(294.5)	(287.6)	(283.6)
Consolidated revenue	$ 754.6	$ 746.7	$ 729.1
Operating income :			
Wholesale segment	$ 67.0	$ 57.8	$ 50.8
Retail segment	1.7	10.5	8.0
Adjustment for inter-company profit (1)	(2.8)	1.3	1.6
Consolidated operating income	$ 65.9	$ 69.6	$ 60.4

(1) Represents the change in wholesale profit contained in Ethan Allen operated design center inventory existing at the end of the period.

Fiscal 2015 Compared to Fiscal 2014

Consolidated revenue for the fiscal year ended June 30, 2015 was $754.6 million compared to $746.7 million for fiscal 2014. There was year-over-year sales growth in the wholesale segment and a slight decline in the retail segment. The increase in the wholesale segment in the current fiscal year was primarily due to higher shipments internationally and to our retail segment.

Wholesale revenue for fiscal 2015 increased by $15.8 million, or 3.5%, to $469.4 million from $453.6 million in the prior fiscal year. The year-over-year increase was attributable to increased sales to both our Company operated design centers and independent retailers worldwide. Orders similarly increased 7.7% during the same period. The number of total design centers globally as of June 30, 2015 was 299, which increased by four from June 30, 2014. The independently operated retail network, net of relocations, increased by three design centers to 155 at June 30, 2015 including a net increase of five locations to 75 in China. Our international net sales to independent retailers was 7.5% of our consolidated net sales for the fiscal year ended June 30, 2015 compared to 6.5% the previous fiscal year.

Retail revenue from Ethan Allen operated design centers for the twelve months ended June 30, 2015 decreased by $1.0 million, or 0.2%, to $579.7 million from $580.7 million for the twelve months ended June 30, 2014. Year-over-year, written orders for the Company operated design centers increased 3.9% and comparable design centers written business increased 4.4% Net sales were impacted by the increased level of clearance sales during fiscal 2015 as compared to fiscal 2014. The strengthening of the U.S. dollar to the Canadian dollar and euro resulted in an average decrease in sales of 0.5% due to the seven to eight design centers we operated in Canada and Europe throughout the fiscal year. The increase in written orders is reflected in the 18.6% increase in ending backlog at June 30 2015.

Gross profit for fiscal 2015 increased to $411.2 million from $406.5 million in fiscal 2014. The $4.7 million increase in gross profit was primarily attributable to increases in our wholesale segment of both manufacturing efficiency and net sales. This was partly offset by a lower mix of retail net sales to consolidated net sales in the current fiscal year of 76.8% compared to the 77.8% in the prior fiscal year, and a net increase in cost of goods sold due to the elimination of intercompany profit in ending inventory.

Operating expenses increased $8.4 million or 2.5% to $345.2 million or 45.7% of net sales in fiscal 2015 from $336.9 million or 45.1% of net sales in fiscal 2014. The increase in current year expenses is primarily due to costs associated with strengthening our management team in the retail segment, increased maintenance and repair costs and depreciation expense associated with our retail design center refurbishing efforts undertaken during fiscal 2015 and increased expense associated with the disposal of real estate, due to our continual repositioning of the retail network.

Operating income for the fiscal year ended June 30, 2015 totaled $65.9 million, or 8.7% of net sales, compared to $69.6 million, or 9.3% of net sales, in the prior fiscal year. Wholesale operating income for fiscal 2015 totaled $67.0 million, or 14.3% of net sales, as compared to $57.8 million, or 12.7% of net sales, in the prior year. Retail operating income was $1.7 million, or 0.3% of sales, for fiscal 2015, compared to $10.5 million, or 1.8% of sales, for fiscal 2014, a decrease of $8.8 million. The reduction in consolidated operating income was primarily attributable to increased operating expenses in our retail segment and increased clearance sales as previously discussed, and an increase in the intercompany profit in ending inventory, partly offset by increases in our wholesale segment due to efficiency and volume.

Interest and other income, net was an expense of $3.3 million in fiscal 2015 compared to income of $0.3 million in fiscal 2014. The current fiscal yearincluded a loss on the early extinguishment of our Senior Notes in the quarter ended March 31, 2015 of $3.7 million, which consisted of a $3.5 million “make whole” payment, and the write-off of unamortized balances of original issue discount, deferred financing fees and derivative instruments.

Interest and other related financing costs decreased $1.6 million to $5.9 million from $7.5 million in the prior fiscal year. The decrease is primarily due to less interest expense throughout fiscal 2015, from lower debt due to the Senior Note repurchases during fiscal 2014 and the early extinguishment of our Senior Notes in the quarter ended March 31, 2015.

Income tax expense was $19.5 million for both fiscal 2015 and fiscal 2014. Our effective tax rate for fiscal 2015 was 34.5% compared to 31.2% in fiscal 2014. The current fiscal year effective tax rate includes tax expense on income, and the recognition of certain previously unrecognized tax benefits, partly offset by recording tax and interest expense on additional uncertain tax positions. The prior period effective tax rate includes tax expense on income, the benefit from the reversal of valuation allowances against certain deferred tax assets in the retail segment, and the recognition of certain previously unrecognized tax benefits, partially offset by tax and interest expense on additional uncertain tax positions.

Net income for fiscal 2015 was $37.1 million as compared to $42.9 million in fiscal 2014. Net income per diluted share totaled $1.27 in the current fiscal year compared to $1.47 per diluted share in the prior fiscal year.

Fiscal 2014 Compared to Fiscal 2013

Consolidated revenue for the fiscal year ended June 30, 2014 was $746.7 million compared to $729.1 million in fiscal 2013. There was year-over-year sales growth in both the wholesale and retail segments. The increase in the wholesale segment was partly due to higher international shipments in the current year and increased shipments to the retail segment.

Wholesale revenue for fiscal 2014 increased by $19.2 million, or 4.4%, to $453.6 million from $434.4 million in fiscal 2013. The year-over-year increase was attributable to increased sales to both our Company operated design centers and independent retailers worldwide. Orders similarly increased 4.3% during the same period. The number of total design centers globally as of June 30, 2014 was 295, which was unchanged from June 30, 2013. The independently operated retail network increased by four net design centers to 152 at June 30, 2014 including a net increase of 2 locations to 70 in China. The count of Ethan Allen operated design centers was 143 at June 30, 2014 and 147 at June 30, 2013, and we opened nine design centers (six of which were relocations), and closed seven design centers. Our international net sales to independent retailers were 6.5% of our consolidated net sales for the year ended June 30, 2014 compared with 5.1% for the year ended June 30, 2013.

Retail revenue from Ethan Allen operated design centers for the twelve months ended June 30, 2014 increased by $2.5 million, or 0.4%, to $580.7 million from $578.3 million for the twelve months ended June 30, 2013. Year-over-year, written orders for the Company operated design centers increased 1.0% and comparable design centers written business increased 3.0%.

Gross profit for fiscal 2014 increased to $406.5 million from $398.3 million in fiscal 2013. The $8.1 million increase in gross profit was primarily attributable to the increase in wholesale net sales of 4.4% or $19.2 million. Our consolidated gross margin decreased to 54.4% for fiscal 2014 from 54.6% in fiscal 2013 as a result, primarily, of the lower mix of retail net sales to consolidated net sales in the current year (77.8%) compared to the prior fiscal year (79.3%).

Operating expenses decreased $1.1 million or 0.3% to $336.9 million or 45.1% of net sales in fiscal 2014 from $337.9 million or 46.3% of net sales in fiscal 2013. The decrease in current year expenses is primarily due to operating efficiencies, partly offset by higher variable costs on increased sales.

Operating income for the year ended June 30, 2014 totaled $69.6 million, or 9.3% of net sales, compared to $60.4 million, or 8.3% of net sales, in fiscal 2013Wholesale operating income for fiscal 2014 totaled $57.8 million, or 12.7% of net sales, as compared to $50.8 million, or 11.7% of net sales, in fiscal 2013. Retail operating income was $10.5 million, or 1.8% of sales, for fiscal 2014, compared to $8.0 million, or 1.4% of sales, for fiscal 2013, an improvement of $2.5 million. The improvement in consolidated operating income was primarily attributable to an increase in sales volume for both the retail and wholesale segments and the improved gross profit in the wholesale segment leveraged against tightly controlled operating expenses.

Interest and other income, net was $0.3 million in fiscal 2014 compared to an expense of $1.5 million in fiscal 2013. The $1.8 million increase was primarily due to the loss incurred on the repurchase of $24 million of the Senior Notes during the fourth quarter of the prior fiscal year.

Interest and other related financing costs decreased $1.3 million to $7.5 million from $8.8 million in fiscal 2013. The decrease is primarily due to less interest expense throughout fiscal 2014, from lower debt due to the Senior Note repurchases during fiscal 2013.

Income tax was an expense of $19.5 million for fiscal 2014 as compared to an expense of $17.7 million for fiscal 2013. Our effective tax rate for fiscal 2014 was 31.2% compared to 35.3% in fiscal 2013. The fiscal year 2014 effective tax rate includes tax expense on income, the benefit from the reversal of valuation allowances against certain deferred tax assets in the retail segment, and the recognition of certain previously unrecognized tax benefits, partly offset by recording additional uncertain tax positions and interest expense on uncertain tax positions. The fiscal 2013 effective tax rate includes tax expense on income, interest expense on uncertain tax positions, and the recording of additional uncertain tax positions partially offset by the recognition of previously unrecognized tax benefits and the impact of maintaining certain valuation allowances.

Net income for fiscal 2014 was $42.9 million as compared to $32.5 million in fiscal 2013. Net income per diluted share totaled $1.47 in the current year compared to $1.11 per diluted share in the prior year.

Liquidity and Capital Resources

At June 30, 2015, we held unrestricted cash and equivalents of $76.2 million, marketable securities of $2.2 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. The decrease in unrestricted cash and cash equivalents was largely due to our early redemption of our Senior Notes. 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 Ethan Allen Global Inc., 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 including dividend payments and share repurchases. In fiscal years 2011 through 2013, the Company repurchased an aggregate $70.6 million of the Senior Notes in several unsolicited transactions. On March 18, 2015, we repaid the remaining balance of $129.4 million, accrued interest of $3.2 million, and a “make whole” payment of $3.5 million, funded with $61.1 million from the Company’s existing cash balances, and $75 million from our senior secured revolving credit and term loan facility. In connection with this early redemption, the Company incurred a $3.7 million pre-tax charge, consisting of the “make whole” payment along with unamortized balances of bond discount and other costs. This charge is classified within the Consolidated Statements of Comprehensive Income under Interest and Other Income (Expense).

The Company entered into a five year, $150 million senior secured revolving credit and term loan facility on October 21, 2014, as amended January 28, 2015 (the “Facility”). The Facility 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 $35 million and a revolving credit line of up to $115 million, subject to borrowing base availability. During March 2015, we utilized $35 million of the term loan and $40 million of the revolving credit line, along with available cash to fully redeem our Senior Notes. We incurred financing costs of $1.5 million under the Facility, which are being amortized by the straight-line method, which approximates the interest method, over the remaining life of the Facility.

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 June 30, 2015 the annual interest rate in effect on the revolving loan was 1.6875%.

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%. At June 30, 2015 the annual interest rate in effect on the term loan was 1.9375%.

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.

Quarterly installments of principal on the term loan are payable based on a straight line 15 year amortization period, with the balance due at maturity. The Company does not expect to repay the revolving credit portion of the Facility within the next year.

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 $17.5 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 applicable fixed charge coverage ratio was 1.4 to 1.0 at June 30, 2015.

The Company intends to use the Facility for working capital and general corporate purposes including the payment of dividends and share repurchases, in addition to the refinancing of our Senior Notes which occurred in March 2015. At June 30, 2015, there was $0.2 million of standby letters of credit outstanding under the Facility and total availability under the Facility of $74.8 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 June 30, 2015 and June 30, 2014, we were in compliance with all covenants of the Senior Notes and the credit facilities.

A summary of net cash provided by (used in) operating, investing, and financing activities for each of the last three fiscal years is provided below (in millions):

	Fiscal Year Ended June 30,		
	2015	2014	2013
Operating Activities			
Net income plus depreciation and amortization	$ 56.3	$ 60.9	$ 50.5
Working capital items	(15.2)	(2.1)	2.4
Other operating activities	14.0	1.1	8.4
Total provided by operating activities	$ 55.1	$ 59.9	$ 61.3
Investing Activities			
Capital expenditures & acquisitions	$ (21.8)	$ (19.3)	$ (19.8)
Net sales (purchases) of marketable securities	15.4	(3.4)	(7.1)
Other investing activities	9.8	10.6	5.3
Total provided (used) in investing activities	$ 3.4	$ (12.1)	$ (21.6)
Financing Activities			
Payments of long-term debt and capital lease obligations	$ (133.7)	$ (0.5)	$ (26.1)
Borrowings from revolving credit and term loan facilities	$ 75.0	$ -	$ -
Purchases and retirements of company stock	(17.6)	-	-
Payment of cash dividends	(13.3)	(11.3)	(22.2)
Other financing activities	(1.4)	0.5	1.7
Total used in financing activities	$ (91.0)	$ (11.3)	$ (46.6)

Operating Activities

In fiscal 2015, cash of $55.1 million was generated by operating activities, a decrease of $4.8 million over fiscal 2014.Net income plus depreciation and amortization in the current fiscal year includes a $3.7 million expense for the early redemption of our Senior Notes. Of this amount, $3.5 million is offset as a positive in other operating activities, as this is considered a financing activity and not an operating activity. Working capital items consist of current assets (accounts receivable, inventories, prepaid and other current assets) less current liabilities (customer deposits, accounts payable, and accrued expenses and other current liabilities).

Investing Activities

In fiscal 2015, $3.4 million of cash was provided by investing activities, whereas $12.1 million was used in the prior year comparable period, resulting in a $15.5 million comparative increase in cash in this fiscal year. More cash was provided in fiscal 2015 primarily due to current fiscal year increases both in net sales of marketable securities and net proceeds on the sale of real estate, which were partly offset by an increase in cash in the prior fiscal year due to the reduction in restricted cash. We anticipate that cash from operations will be sufficient to fund future capital expenditures, business conditions permitting.

Financing Activities

In fiscal 2015, $91.0 million was used in financing activities, which is $79.7 million more cash than used in financing activities in fiscal 2014. This was primarily due to the early redemption of our Senior Notes in March 2015. The Senior Notes had a face value of $129.4 million, which we redeemed by paying $54.4 million with available cash, and $75 million with borrowings under the Facility. We also paid a $3.5 million prepayment premium to bondholders as stipulated in the original bond indenture. During fiscal 2015 we resumed our stock repurchase program and utilized $16.5 million to repurchase 645,831 shares at a weighted average cost of $25.50 per share. At June 30, 2015 we have remaining Board authorization to repurchase 2.5 million shares. The increase in dividends was due to a 20% dividend increase from $0.10 to $0.12 per share from October 2014 forward. We expect to continue to declare quarterly dividends for the foreseeable future, business conditions permitting.

As of June 30, 2015, our outstanding debt totaled $77.6 million, the current and long-term portions of which amounted to $3.4 million and $74.2 million, respectively. The aggregate scheduled maturities of long-term debt for each of the next five fiscal years are $3.4 million in fiscal 2016, $3.3 million in fiscal 2017, $2.8 million in fiscal 2018, $2.4 million in fiscal 2019, and $65.7 million in fiscal 2020.

The following table summarizes, as of June 30, 2015, the timing of cash payments related to our outstanding contractual obligations (in thousands):

	Total	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years
Long-term debt obligations:					
Debt maturities	$ 77,568	$ 3,341	$ 6,119	$ 68,108	$ -
Contractual interest	5,640	1,256	2,620	1,764	-
Operating lease obligations	209,250	31,255	54,343	42,745	80,907
Letters of credit	204	204	-	-	-
Purchase obligations (1)	-	-	-	-	-
Other long-term liabilities	226	3	45	45	133
Total contractual obligations	$ 292,888	$ 36,059	$ 63,127	$ 112,662	$ 81,040

(1) For purposes of this table, purchase obligations are defined as agreements that are enforceable and legally binding and that specify all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. While we are not a party to any significant long-term supply contracts or purchase commitments, we do, in the normal course of business, regularly initiate purchase orders for the procurement of (i) selected finished goods sourced from third-party suppliers, (ii) lumber, fabric, leather and other raw materials used in production, and (iii) certain outsourced services. All purchase orders are based on current needs and are fulfilled by suppliers within short time periods. At June 30, 2015, our open purchase orders with respect to such goods and services totaled approximately $37 million.

Further discussion of our contractual obligations associated with outstanding debt and lease arrangements can be found in Notes 6 and 7, respectively, to the Consolidated Financial Statements included under Item 8 of this Annual Report.

We believe that our cash flow from operations, together with our other available sources of liquidity, will be adequate to make all required payments of principal and interest on our debt, to permit anticipated capital expenditures, and to fund working capital and other cash requirements. As of June 30, 2015, we had working capital of $129.7 million compared to $169.6 million at June 30, 2014, a decrease of $39.9 million. This was mostly due to refinancing our debt, which reduced working capital by $59.4 million. We had a current ratio of 1.92 to 1 at June 30, 2015 and 2.25 to 1 at June 30, 2014. In addition to using available cash to fund changes in working capital, necessary capital expenditures, acquisition activity, the repayment of debt, and the payment of dividends, the Company has been authorized by our Board of Directors to repurchase our common stock, from time to time, either directly or through agents, in the open market at prices and on terms satisfactory to us.

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

Except as indicated below, we do not utilize or employ any off-balance sheet arrangements, including special-purpose entities, in operating our business. As such, we do not maintain any (i) retained or contingent interests, (ii) derivative instruments, 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 at both June 30, 2015 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 $11 million. As of both June 30 of 2015 and 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 three to seven years and are provided based on terms that are generally accepted in the industry. All of our domestic independent retailers are required to enter into, and perform in accordance with the terms and conditions of, a warranty service agreement. We record provisions for estimated warranty and other related costs at time of sale based on historical warranty loss experience and make periodic adjustments to those provisions to reflect actual experience. On rare occasion, certain warranty and other related claims involve matters of dispute that ultimately are resolved by negotiation, arbitration or litigation. In certain cases, a material warranty issue may arise which is beyond the scope of our historical experience. We provide for such warranty issues as they become known and are deemed to be both probable and estimable. It is reasonably possible that, from time to time, additional warranty and other related claims could arise from disputes or other matters beyond the scope of our historical experience. At both June 30 of 2015 and 2014, the Company's product warranty liability totaled $1.0 million.

Impact of Inflation

We believe inflation had an impact on our business the last three fiscal years but we have generally been able to create operational efficiencies, seek lower cost alternatives, or raise selling prices in order to offset increases in product and operating costs. It is possible in the future that we will not be successful in our efforts to offset the impacts from inflation.

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.

Further discussion of the home furnishings industry has been included under Item 1 of this Annual Report.

Recent Accounting Pronouncements

On April 7, 2015 the Financial Accounting Standards Board issued Accounting Standards Update No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs.* The new standard will classify debt issuance costs as a deduction from debt liability. At June 30, 2015 and 2014, the Company had $1.3 million and $0.3 million respectively in unamortized debt issuance costs, classified as other assets on our consolidated balance sheet which, under the new standard, would be classified as a deduction from debt. There will be no effect on the consolidated statements of comprehensive income upon adoption of the ASU. The ASU is effective for the Company beginning in July 2015 and will be applied retrospectively.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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

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

For floating-rate obligations, interest rate changes do not affect the fair value of the underlying financial instrument but would impact future earnings and cash flows, assuming other factors are held constant. Conversely, for fixed-rate obligations, interest rate changes affect the fair value of the underlying financial instrument but would not impact earnings or cash flows. At June 30, 2015, we had $72.7 million in floating-rate debt obligations outstanding. As of that same date, our fixed-rate debt obligations consist of $1.6 million of capital leases.

Foreign currency exchange risk is primarily limited to our operation of six Ethan Allen operated retail design centers located in Canada, one in Belgium, and our plants in Mexico and Honduras, as substantially all purchases of imported parts and finished goods are denominated in United States dollars. As such, gains or losses resulting from market changes in the value of foreign currencies have not had, nor are they expected to have, a material effect on our consolidated results of operations. A decrease in the value of foreign currencies (in particular Asian) relative to the United States dollar may affect the profitability of our vendors but as we employ a balanced sourcing strategy, we believe any impact would be moderate relative to peers in the industry.

Item 8. Financial Statements and Supplementary Data

Our Consolidated Financial Statements and Supplementary Data are listed in Item 15 of this Annual Report.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES

Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of Ethan Allen Interiors Inc. and subsidiaries (the Company) as of June 30, 2015 and 2014, and the related consolidated statements of comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended June 30, 2015. We also have audited the Company's internal control over financial reporting as of June 30, 2015, based on criteria established in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

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

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

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ethan Allen Interiors Inc. and subsidiaries as of June 30, 2015 and 2014, and the results of its operations and its cash flows for each of the years in the three-year period ended June 30, 2015, in conformity with U.S. generally accepted accounting principles. Also in our opinion, Ethan Allen Interiors Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of June 30, 2015, based on criteria established in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) .

/s/ KPMG LLP

August 11, 2015

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES

Consolidated Balance Sheets
June 30, 2015 and 2014
(In thousands, except share data)

	2015	2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 76,182	$ 109,176
Marketable securities	2,198	18,153
Accounts receivable, less allowance for doubtful accounts of $1,386 at June 30, 2015 and $1,442 at June 30, 2014	12,547	12,426
Inventories	151,916	146,275
Prepaid expenses and other current assets	27,831	19,599
Total current assets	270,674	305,629
Property, plant and equipment, net	277,035	288,156
Goodwill and other intangible assets	45,128	45,128
Restricted cash and investments	8,010	8,507
Other assets	6,461	7,014
Total assets	$ 607,308	$ 654,434
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ 3,341	$ 501
Customer deposits	67,970	59,684
Accounts payable	18,946	24,320
Accrued compensation and benefits	26,896	27,709
Accrued expenses and other current liabilities	23,816	23,833
Total current liabilities	140,969	136,047
Long-term debt	74,227	130,411
Other long-term liabilities	21,577	20,509
Total liabilities	236,773	286,967
Shareholders' equity:		
Class A common stock, par value $0.01; 150,000,000 shares authorized; 48,884,586 shares issued at June 30, 2015 and 48,577,620 shares issued at June 30, 2014	489	486
Class B common stock, par value $0.01; 600,000 shares authorized; none issued	-	-
Preferred stock, par value $0.01; 1,055,000 shares authorized; none issued	-	-
Additional paid-in-capital	370,914	365,733
Less: Treasury stock (at cost), 20,477,617 shares at June 30, 2015 and 19,650,385 shares at June 30, 2014	(605,586)	(584,041)
Retained earnings	607,079	584,395
Accumulated other comprehensive income	(2,638)	642
Total Ethan Allen Interiors Inc. shareholders' equity	370,258	367,215
Noncontrolling interests	277	252
Total shareholders' equity	370,535	367,467
Total liabilities and shareholders' equity	$ 607,308	$ 654,434

See accompanying notes to consolidated financial statements.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income
For Years Ended June 30, 2015, 2014, and 2013
(In thousands, except share data)

	2015	2014	2013
Net sales	$ 754,600	$ 746,659	$ 729,083
Cost of sales	343,437	340,163	330,734
Gross profit	411,163	406,496	398,349
Selling, general and administrative expenses	345,229	336,860	337,912
Operating income	65,934	69,636	60,437
Interest and other income (expense)	(3,333)	276	(1,485)
Interest and other related financing costs	5,918	7,510	8,778
Income before income taxes	56,683	62,402	50,174
Income tax expense	19,541	19,471	17,696
Net income	$ 37,142	$ 42,931	$ 32,478
Per share data:			
Net income per basic share	$ 1.29	$ 1.48	$ 1.13
Basic weighted average common shares	28,874	28,918	28,864
Net income per diluted share	$ 1.27	$ 1.47	$ 1.11
Diluted weighted average common shares	29,182	29,276	29,239
Dividends declared per common share	$ 0.50	$ 0.40	$ 0.77
Comprehensive income:			
Net income	$ 37,142	$ 42,931	$ 32,478
Other comprehensive income			
Curency translation adjustment	(3,308)	(77)	(506)
Other	78	105	56
Other comprehensive income (loss) net of tax	(3,230)	28	(450)
Comprehensive income	$ 33,912	$ 42,959	$ 32,028

See accompanying notes to consolidated financial statements.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
For Years Ended June 30, 2015, 2014, and 2013
(In thousands)

	2015	2014	2013
Operating activities:			
Net income	$ 37,142	$ 42,931	$ 32,478
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	19,142	17,930	18,008
Compensation expense related to share-based payment awards	1,236	1,325	1,401
Provision (benefit) for deferred income taxes	3,923	(3,032)	2,767
Restructuring and impairment charge	784	-	-
Loss on disposal of property, plant and equipment	4,180	2,093	3,717
Other	3,606	415	1,824
Change in operating assets and liabilities, net of effects of acquired businesses:			
Accounts receivable	(559)	(149)	1,922
Inventories	(5,036)	(9,019)	18,569
Prepaid and other current assets	(9,628)	4,269	1,070
Customer deposits	7,517	586	(6,951)
Accounts payable	(5,349)	1,300	(4,320)
Accrued expenses and other current liabilities	(2,113)	969	(7,839)
Other assets and liabilities	261	271	(1,345)
Net cash provided by operating activities	55,106	59,889	61,301
Investing activities:			
Proceeds from the disposal of property, plant & equipment	9,103	3,381	3,283
Change in restricted cash and investments	497	6,926	(17)
Capital expenditures	(19,787)	(19,305)	(19,005)
Acquisitions	(1,991)	-	(770)
Purchases of marketable securities	-	(18,268)	(18,247)
Sales of marketable securities	15,430	14,883	11,165
Other investing activities	176	325	1,990
Net cash provided by (used in) investing activities	3,428	(12,058)	(21,601)
Financing activities:			
Borrowings from revolving credit and term loan facilities	75,000	-	-
Payments on long-term debt and capital lease obligations	(133,710)	(480)	(26,104)
Purchases and retirements of company stock	(17,552)	-	-
Payment of cash dividends	(13,348)	(11,297)	(22,220)
Other financing activities	(1,353)	525	1,758
Net cash used in financing activities	(90,963)	(11,252)	(46,566)
Effect of exchange rate changes on cash	(565)	(4)	(254)
Net increase (decrease) in cash & cash equivalents	(32,994)	36,575	(7,120)
Cash & cash equivalents - beginning of year	109,176	72,601	79,721
Cash & cash equivalents - end of year	$ 76,182	$ 109,176	$ 72,601
Supplemental cash flow information:			
Income taxes paid	$ 18,250		$ 19,046
Interest paid	$ 7,181	$ 7,085	$ 8,626
Non-cash capital lease obligations incurred	$ 1,700	$ -	$ 927

See accompanying notes to consolidated financial statements.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES

Consolidated Statements of Shareholders' Equity
For Years Ended June 30, 2015, 2014, and 2013
(In thousands, except share data)

	Common Stock	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income	Retained Earnings	Non-Controlling Interests	Total
Balance at June 30, 2012	$ 485	$ 361,165	$ (584,041)	$ 1,141	$ 542,918	$ 200	$ 321,868
Stock issued on share-based awards	1	1,398	-	-	-	-	1,399
Compensation expense associated with share-based awards	-	1,401	-	-	-	-	1,401
Tax benefit associated with exercise of share based awards	-	(26)	-	-	-	-	(26)
Dividends declared on common stock	-	-	-	-	(22,313)	-	(22,313)
Increase from business combination						-	-
Comprehensive income (loss)	-	-	-	(457)	32,478	7	32,028
Balance at June 30, 2013	486	363,938	(584,041)	684	553,083	207	334,357
Stock issued on share-based awards	-	357	-	-	-	-	357
Compensation expense associated with share-based awards	-	1,325	-	-	-	-	1,325
Tax benefit associated with exercise of share based awards	-	113	-	-	-	-	113
Dividends declared on common stock	-	-	-	-	(11,619)	-	(11,619)
Capital distribution	-	-	-	-	-	(25)	(25)
Comprehensive income (loss)	-	-	-	(42)	42,931	70	42,959
Balance at June 30, 2014	486	365,733	(584,041)	642	584,395	252	367,467
Stock issued on share-based awards	3	4,117	-	-	-	-	4,120
Compensation expense associated with share-based awards	-	1,236	-	-	-	-	1,236
Tax benefit associated with exercise of share based awards	-	(172)	-	-	-	-	(172)
Purchase/retirement of company stock	-	-	(21,545)	-	-	-	(21,545)
Dividends declared on common stock	-	-	-	-	(14,458)	-	(14,458)
Capital distribution	-	-	-	-	-	(25)	(25)
Comprehensive income (loss)	-	-	-	(3,280)	37,142	50	33,912
Balance at June 30, 2015	$ 489	$ 370,914	$ (605,586)	$ (2,638)	$ 607,079	$ 277	$ 370,535

See accompanying notes to consolidated financial statements.

(1) Summary of Significant Accounting Policies

Basis of Presentation

The following is a summary of significant accounting policies of Ethan Allen Interiors Inc., and its wholly-owned subsidiaries (collectively "We," "Us," "Our," "Ethan Allen" or the "Company"). All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements. Our consolidated financial statements also include the accounts of an entity in which we are a majority shareholder with the power to direct the activites 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.

Nature of Operations

We are a leading manufacturer and retailer of quality home furnishings and accents, offering complimentary interior design service to our clients and sell a full range of furniture products and decorative accents. We sell our products through one of the country's largest home furnishing retail networks with a total of 299 retail design centers, of which 144 are Company operated and 155 are independently operated. Nearly all of our Company operated retail design centers are located in the United States, with the remaining Company operated design centers located in Canada and Belgium. The majority of the independently operated design centers are in Asia, with the remaining independently operated design centers located throughout the United States, Canada, the Middle East and Europe. We have eight manufacturing facilities, one of which includes a separate sawmill operation, located throughout the United States, one in each of Mexico and Honduras.

Use of Estimates

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. Because of 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.

Reclassifications

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

Cash Equivalents

Cash and short-term, highly liquid investments with original maturities of three months or less are considered cash and cash equivalents. We invest excess cash in money market accounts, short-term commercial paper, and U.S. Treasury Bills.

Inventories

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

Marketable Securities

The Company's investments are classified at the time of purchase as either available-for-sale or held-to-maturity, and reassessed as of each balance sheet date. Our marketable securities consist of available-for-sale securities, and are marked-to-market based on prices provided by our investment advisors, with unrealized gains and temporary unrealized losses reported as a component of other comprehensive income net of tax, until realized. When realized, the Company recognizes gains and losses on the sales of the securities on a specific identification method and includes the realized gains or losses in other income, net, in the consolidated statements of operations. The Company includes interest, dividends, and amortization of premium or discount on securities classified as available-for-sale in other income, net in the consolidated statements of operations. We also evaluate our available-for-sale securities to determine whether a decline in fair value of a security below the amortized cost basis is other than temporary. Should the decline be considered other than temporary, we write down the cost of the security and include the loss in earnings. In making this determination we consider such factors as the reason for and significance of the decline, current economic conditions, the length of time for which there has been an unrealized loss, the time to maturity, and other relevant information. Available-for-sale securities are classified as either short-term or long-term based on management's intention of when to sell the securities.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and amortization. Depreciation of plant and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. Estimated useful lives of the respective assets typically range from twenty to forty years for buildings and improvements and from three to twenty years for machinery and equipment. Leasehold improvements are amortized based on the underlying lease term, or the asset's estimated useful life, whichever is shorter.

Operating Leases

We record expense for operating leases by recognizing the minimum lease payments on a straight-line basis, beginning on the date that the lessee takes possession or control of the property. A number of our operating lease agreements contain provisions for tenant improvement allowances, rent holidays, rent concessions, and/or rent escalations.

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

Retail Design Center Acquisitions

We account for the acquisition of retail design centers and related assets with the purchase method. Accounting for these transactions as purchase business combinations requires the allocation of purchase price paid to the assets acquired and liabilities assumed based on their fair values as of the date of the acquisition. The amount paid in excess of the fair value of net assets acquired is accounted for as goodwill.

Goodwill and Other Intangible Assets

Our intangible assets are comprised primarily of goodwill, which represents the excess of cost over the fair value of net assets acquired, and trademarks. We determined these assets have indefinite useful lives, and are therefore not amortized.

Impairment of Long-Lived Assets and Goodwill

Goodwill and other indefinite-lived intangible assets are evaluated for impairment on an annual basis during the fourth quarter of each fiscal year, and between annual tests whenever events or circumstances indicate that the carrying value of the goodwill or other intangible asset may exceed its fair value. When testing goodwill for impairment, we may assess qualitative factors for some or all of our reporting units to determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying amount, including goodwill. Alternatively, we may bypass this qualitative assessment for some or all of our reporting units and determine whether the carrying value exceeds the fair value using a quantitative assessment as described below.

The recoverability of long-lived assets are evaluated for impairment by determining whether the carrying value will be recovered through the expected undiscounted future cash flows resulting from the use of the asset. In the event the sum of the expected undiscounted future cash flows is less than the carrying value of the asset, an impairment loss equal to the excess of the asset's carrying value over its fair value is recorded. The long-term nature of these assets requires the estimation of cash inflows and outflows several years into the future and only takes into consideration technological advances known at the time of the impairment test.

To evaluate goodwill using a quantitative assessment, the Company determines the current fair value of the reporting units using a combination of "Market" and "Income" approaches. In the Market approach, the "Guideline Company" method is used, which focuses on comparing the Company's risk profile and growth prospects to reasonably similar publicly traded companies. Key assumptions used for the Guideline Company method are total invested capital ("TIC") multiples for revenues and operating cash flows, as well as consideration of control premiums. The TIC multiples are determined based on public furniture companies within our peer group, and if appropriate, recent comparable transactions are considered. Control premiums are determined using recent comparable transactions in the open market. Under the Income approach, a discounted cash flow method is used, which includes a terminal value, and is based on external analyst financial projection estimates, as well as internal financial projection estimates prepared by management. The long-term terminal growth rate assumptions reflect our current long-term view of the market in which we compete. Discount rates use the weighted average cost of capital for companies within our peer group, adjusted for specific company risk premium factors.

The fair value of our trade name, which is the Company's only indefinite-lived intangible asset other than goodwill, is valued using the relief-from-royalty method. Significant factors used in trade name valuation are rates for royalties, future growth, and a discount factor. Royalty rates are determined using an average of recent comparable values. Future growth rates are based on the Company's perception of the long-term values in the market in which we compete, and the discount rate is determined using the weighted average cost of capital for companies within our peer group, adjusted for specific company risk premium factors.

Financial Instruments

Because of their short-term nature, the carrying value of our cash and cash equivalents, receivables and payables, short-term debt and customer deposit liabilities approximates fair value. Substantially all of our long-term debt at June 30, 2015 consists of our term loan and revolving credit facility, and at June 30, 2014 substantially all of our long-term debt consisted of our Senior Notes, the estimated fair value of which is $77.6 million at June 30, 2015 and $133.3 million at June 30, 2014, as compared to a carrying value on those dates of $77.6 million and $129.3 million, respectively.

Income Taxes

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

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance must be established for deferred tax assets when it is more likely than not that the assets will not be realized.

We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. Most of the unrecognized tax benefits, if recognized, would be recorded as a benefit to income tax expense.

The liability associated with an unrecognized tax benefit is classified as a long-term liability except for the amount for which a cash payment is expected to be made or tax positions settled within one year. We recognize interest and penalties related to income tax matters as a component of income tax expense.

Revenue Recognition

Revenue is recognized when all of the following have occurred: persuasive evidence of a sales arrangement exists (e.g. a wholesale purchase order or retail sales invoice); the sales arrangement specifies a fixed or determinable sales price; title and risk of ownership has passed to the customer; no specific performance obligations remain; product is shipped or services are provided to the customer; collectability is reasonably assured. As such, revenue recognition generally occurs upon the shipment of goods to independent retailers or, in the case of Ethan Allen operated retail design centers, upon delivery to the customer. If shipping is billed to customers, this is included in revenue. Recorded sales provide for estimated returns and allowances. We permit our customers to return defective products and incorrect shipments, and terms we offer are standard for the industry.

Shipping and Handling Costs

Our practice has been to sell our products at the same delivered cost to all retailers nationwide, regardless of shipping point. Costs incurred by the Company to deliver finished goods are expensed and recorded in selling, general and administrative expenses. Shipping and handling costs amounted to $67.3 million in fiscal year 2015, $67.1 million for fiscal 2014 and $62.3 million in fiscal 2013.

Advertising Costs

Advertising costs are expensed when first aired or distributed. Our total advertising costs were $30.2 million in fiscal year 2015, $29.5 million in fiscal year 2014 and $29.8 million in fiscal year 2013. These amounts include advertising media expenses, outside and inside agency expenses, certain website related fees and photo and video production net of proceeds received by us under our agreement with the third-party financial institution responsible for administering our consumer finance programs. Prepaid advertising costs at June 30, 2015 totaled $1.8 million compared to $0.6 million at June 30, 2014.

Earnings Per Share

We compute basic earnings per share by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated similarly, except that the weighted average outstanding shares are adjusted to include the effects of converting all potentially dilutive share-based awards issued under our employee stock plans (see Notes 9 and 10). Certain unvested share-based payment awards are participating securities because they contain rights to receive non-forfeitable dividends (if paid). The earnings available to participating securities under the two-class method of computing earnings per share is insignificant.

Share-Based Compensation

We estimate, as of the date of grant, the fair value of stock options awarded using the Black-Scholes option pricing model. Use of a valuation model requires management to make certain assumptions with respect to selected model inputs, including anticipated changes in the underlying stock price (i.e. expected volatility) and option exercise activity (i.e. expected life). Expected volatility is based on the historical volatility of our stock and other contributing factors. The expected life of options granted, which represents the period of time that the options are expected to be outstanding, is based, primarily, on historical data.

Share-based compensation expense is included in the Consolidated Statements of Operations within selling, general and administrative expenses. Tax benefits associated with our share-based compensation arrangements are included in the Consolidated Statements of Operations within income tax expense.

All shares of our common stock received in connection with the exercise of share-based awards have been recorded as treasury stock and result in a reduction in shareholders' equity.

Foreign Currency Translation

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

Recent Accounting Pronouncements

On April 7, 2015 the Financial Accounting Standards Board issued Accounting Standards Update No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs.*The new standard will classify debt issuance costs as a deduction from debt liability. At June 30 of 2015 and 2014, the Company had $1.3 million and $0.3 million respectively in unamortized debt issuance costs, classified as other assets on our consolidated balance sheet which, under the new standard, would be classified as a deduction from debt. There will be no effect on the consolidated statements of comprehensive income upon adoption of the ASU. The ASU is effective for the Company beginning in July 2015 and will be applied retrospectively.

(2) Business Acquisitions

From time to time the Company acquires design centers from its independent retailers in arms length transactions. There were no material acquisitions completed during the three fiscal years ended June 30, 2015, 2014 and 2013 respectively.

(3) Inventories

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

	2015	2014
Finished goods	$ 118,537	$ 116,377
Work in process	10,537	8,355
Raw materials	25,943	24,347
Valuation allowance	(3,101)	(2,804)
	$ 151,916	$ 146,275

(4) Property, Plant and Equipment

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

	2015	2014
Land and improvements	$ 82,806	$ 88,296
Building and improvements	385,439	389,022
Machinery and equipment	126,667	124,391
	594,912	601,709
Less: accumulated depreciation and amortization	(317,877)	(313,553)
	$ 277,035	$ 288,156

(5) Goodwill and Other Intangible Assets

At both June 30, 2015 and 2014, we had $25.4 million of goodwill, and $19.7 million of other indefinite-lived intangible assets consisting of Ethan Allen trade names, all of which is in our wholesale segment.

In the fourth quarter of fiscal years 2015, 2014, and 2013, the Company performed qualitative assessments of thefair value of the wholesale reporting unit and concluded that the fair value of its goodwill exceeded its carrying value. In fiscal year 2011 the Company performed a quantitative assessment and determined the fair value of its wholesale reporting unit exceeded its carrying value by a substantial margin. The fair value of the trade name exceeded its carrying value by a substantial margin in fiscal years 2015, 2014 and 2013. To calculate fair value of these assets, management relies on estimates and assumptions which by their nature have varying degrees of uncertainty. Management therefore looks for third party transactions to provide the best possible support for the assumptions incorporated. Management considers several factors to be significant when estimating fair value including expected financial outlook of the business, changes in the Company’s stock price, the impact of changing market conditions on financial performance and expected future cash flows, and other factors. Deterioration in any of these factors may result in a lower fair value assessment, which could lead to impairment of the long-lived assets and goodwill of the Company.

(6) Borrowings

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

	2015	2014
5.375% Senior Notes due 2015	$ -	$ 129,255
Term loan	35,000	-
Revolver	40,000	-
Capital leases and other	2,568	1,657
Total debt	77,568	130,912
Less curent maturities	3,341	501
Total long-term debt	$ 74,227	$ 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 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. On March 18, 2015, we repaid the remaining balance of $129.4 million, accrued interest of $3.2 million, and a “make whole” payment of $3.5 million, funded with $61.1 million from the Company’s existing cash balances, and $75 million from our senior secured revolving credit and term loan facility. In connection with this early redemption, the Company incurred a $3.7 million pre-tax charge, consisting of the “make whole” payment along with unamortized balances of bond discount and other costs. This charge is classified within the Consolidated Statements of Comprehensive Income under Interest and Other Income (Expense).

The Company entered into a five year, $150 million senior secured revolving credit and term loan facility on October 21, 2014, as amended January 28, 2015 (the “Facility”). The Facility 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 $35 million and a revolving credit line of up to $115 million, subject to borrowing base availability. During March 2015, we utilized $35 million of the term loan and $40 million of the revolving credit line, along with available cash to fully redeem our Senior Notes. We incurred financing costs of $1.5 million under the Facility, which are being amortized by the straight-line method, which approximates the interest method, over the remaining life of the Facility.

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 June 30, 2015 the annual interest rate in effect on the revolving loan was 1.6875%.

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%. At June 30, 2015 the annual interest rate in effect on the term loan was 1.9375%.

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.

Quarterly installments of principal on the term loan are payable based on a straight line 15 year amortization period, with the balance due at maturity. The Company does not expect to repay the revolving credit portion of the Facility within the next year.

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 $17.5 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 applicable fixed charge coverage ratio was 1.4 to 1.0 at June 30, 2015.

The Company intends to use the Facility for working capital and general corporate purposes, in addition to the refinancing of our Senior Notes which occurred in March 2015. At June 30, 2015, there was $0.2 million of standby letters of credit outstanding under the Facility and total availability under the Facility of $74.8 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 June 30, 2015 and June 30, 2014, we were in compliance with all covenants of the Senior Notes and the credit facilities.

For fiscal years ended June 30, 2015, 2014 and 2013, the weighted-average interest rates applicable under our outstanding debt obligations for each year was approximately 4.8%, 5.5% and 5.5% respectively. Aggregate scheduled maturities of our debt obligations for each of the five fiscal years subsequent to June 30, 2015, and thereafter are as follows (in thousands):

Fiscal Year Ended June 30		
2016	$	3,341
2017		3,304
2018		2,815
2019		2,396
2020		65,712
Subsequent to 2020		-
Total scheduled debt payments	$	77,568

(7) Leases

We lease real property and equipment under various operating lease agreements expiring at various times through 2039. Leases covering retail design center locations and equipment may require, in addition to stated minimums, contingent rentals based on retail sales or equipment usage. Generally, the leases provide for renewal for various periods at stipulated rates. Future minimum lease payments under non-cancelable operating leases for each of the five fiscal years subsequent to June 30, 2015, and thereafter are shown in the table following. Also shown are minimum future rentals from subleases, which will partially offset lease payments in the aggregate (in thousands):

Fiscal Year Ended June 30	Minimum Future Lease Payments	Minimum Future Sublease Rentals
2016	$ 31,255	$ 1,688
2017	28,090	1,563
2018	26,253	1,462
2019	22,724	912
2020	20,021	709
Subsequent to 2020	80,907	1,215
Total	$ 209,250	$ 7,549

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

	2015	2014	2013
Basic rentals under operating leases	$ 31,220	$ 31,168	$ 32,020
Contingent rentals under operating leases	160	215	57
	31,380	31,383	32,077
Less: sublease rent	(3,062)	(2,494)	(2,034)
Total rent expense	$ 28,318	$ 28,889	$ 30,043

As of June 30, 2015 and 2014, deferred rent credits totaling $12.4 million and $12.5 million, respectively, and deferred lease incentives totaling $3.8 million and $3.1 million, respectively, are reflected in the Consolidated Balance Sheets. These amounts are amortized over the respective underlying lease terms on a straight-line basis as a reduction of rent expense.

(8) Shareholders' Equity

Our authorized capital stock consists of (a) 150,000,000 shares of Class A Common Stock, par value $.01 per share, (b) 600,000 shares of Class B Common Stock, par value $.01 per share, and (c) 1,055,000 shares of Preferred Stock, par value $.01 per share, of which (i) 30,000 shares have been designated Series A Redeemable Convertible Preferred Stock, (ii) 30,000 shares have been designated Series B Redeemable Convertible Preferred Stock, (iii) 155,010 shares have been designated as Series C Junior Participating Preferred Stock, and (iv) the remaining 839,990 shares may be designated by the Board of Directors with such rights and preferences as they determine (all such preferred stock, collectively, the "Preferred Stock"). Shares of Class B Common Stock are convertible to shares of our Common Stock upon the occurrence of certain events or other specified conditions being met. As of June 30, 2015 and 2014, there were no shares of Preferred Stock or Class B Common Stock issued or outstanding.

Share Repurchase Program

On November 21, 2002, the Company's Board of Directors approved a share repurchase program authorizing us to repurchase up to 2.0 million 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. Subsequent to that date, the Board of Directors increased the then remaining share repurchase authorization on several occasions the last of which was on April 13, 2015. As of June 30, 2015 we had a remaining Board authorization to repurchase 2.5 million shares.

During the past three fiscal years, we repurchased and/or retired the following shares of our common stock (trade date basis):

	2015	2014	2013
Common shares repurchased	645,831	-	-
Cost to repurchase common shares	$ 16,469,725	$ -	$ -
Average price per share	$ 25.50	$ -	$ -

For the fiscal years presented above, we funded our purchases of treasury stock with existing cash on hand and cash generated through current period operations. All of our common stock repurchases are recorded as treasury stock and result in a reduction of shareholders' equity.

(9) Earnings per Share

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

	2015	2014	2013
Weighted average common shares outstanding for basic calculation	28,874	28,918	28,864
Effect of dilutive stock options and other share-based awards	308	358	375
Weighted average common shares outstanding adjusted for dilution calculation	29,182	29,276	29,239

Certain restricted stock awards and the potential exercise of certain stock options were excluded from the respective diluted earnings per share calculation because their impact is anti-dilutive. In 2015, 2014 and 2013, stock options and share based awards of 591,058, 724,292 and 877,100, respectively, have been excluded.

(10) Share-Based Compensation

For the twelve months ended June 30, 2015, 2014, and 2013, share-based compensation expense totaled $1.2 million, $1.3 million, and $1.4 million respectively. These amounts have been included in the Consolidated Statements of Comprehensive Income within selling, general and administrative expenses. During the twelve months ended June 30, 2015, 2014, and 2013, we recognized related tax benefits associated with our share-based compensation arrangements totaling $0.5 million, $0.5 million and $0.5 million, respectively (before valuation allowances). Such amounts have been included in the Consolidated Statements of Comprehensive Income within income tax expense.

We estimate, as of the date of grant, the fair value of stock options awarded using the Black-Scholes option pricing model. Use of a valuation model requires management to make certain assumptions with respect to selected model inputs, including anticipated changes in the underlying stock price (i.e. expected volatility) and option exercise activity (i.e. expected life). Expected volatility is based on the historical volatility of our stock. The risk-free rate of return is based on the U.S. Treasury bill rate for the term closest matching the expected life of the grant. The dividend yield is based on the annualized dividend rate at the grant date relative to the grant date stock price. The expected life of options granted, which represents the period of time that the options are expected to be outstanding, is based, primarily, on historical data. The weighted average assumptions used for fiscal years ended June 30 are noted in the following table:

	2015	2014	2013
Volatility	52.9%	56.3%	56.5%
Risk-free rate of return	2.03%	1.52%	0.80%
Dividend yield	2.09%	1.55%	1.64%
Expected average life (years)	6.7	5.2	5.8

At June 30, 2015, we had 1,382,400 shares of common stock available for future issuance pursuant to the 1992 Stock Option Plan (the “Plan”). The maximum number of shares of common stock reserved for issuance under the Plan is 6,487,867 shares. Following is a description of grants made under the Plan.

Stock Option Awards

The Plan provides for the grant of non-compensatory stock options to eligible employees and non-employee directors. Stock options granted under the Plan are non-qualified under Section 422 of the Internal Revenue code and allow for the purchase of shares of our common stock. The Plan also provides for the issuance of stock appreciation rights ("SARs") on issued options, however, no SARs have been issued as of June 30, 2015. The awarding of such options is determined by the Compensation Committee of the Board of Directors after consideration of recommendations proposed by the Chief Executive Officer. Option awards are generally granted with an exercise price equal to the market price of our common stock at the date of grant, vest ratably over a specified service period, and have a contractual term of 10 years. In fiscal 2015 the service period was 5 years for awards to employees (as further described below), and 3 years for awards to independent directors.

Effective October 1, 2011, the Company and M. Farooq Kathwari, our President and Chief Executive Officer, entered into a new employment agreement (the "Agreement"). Pursuant to the terms of the Agreement, Mr. Kathwari was awarded on October 1, 2011, options to purchase 300,000 shares of our common stock at an exercise price of $13.61 which vest ratably over a 5-year period on each June 30, unless earlier vested, in certain circumstances, in accordance with the terms of the Agreement. During fiscal 2015 the Company granted to certain executives of the Company other than Mr. Kathwari, options to purchase an aggregate of 195,000 shares of our common stock, which vest provided certain performance and service conditions are met (“Performance Options”). The performance conditions allow the potential vesting in three equal tranches, provided attainment of a minimum annual 5% growth in operating income (as defined in the agreement) for each of the ensuing three fiscal years. If the minimum annual growth is not achieved in any fiscal year, that tranche is forfeited, except that if a cumulative compound growth rate of 5% is achieved at the end of the three fiscal years, performance conditions for all three tranches will have been met. Service conditions require an additional period after performance conditions are met. Consequently, assuming both performance and service conditions are met, shares become exercisable between 3 and 5 years from grant date. At June 30, 2015, 43,667 Performance Options achieved the performance conditions, and consequently will vest ratably in three equal tranches on the grant date anniversary in years three, four and five provided service conditions are also met. The Company considers the remaining 282,333 Performance Options to be probable of achieving the respective performance conditions so they are being amortized to expense over their respective service periods. The Performance Options are reflected in the options tables presented below. All options were issued at the closing stock price on each grant date, and have a contractual term of 10 years. A summary of stock option activity occurring during the fiscal year ended June 30, 2015 is presented below:

Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (yrs)	Aggregate Intrinsic Value
Outstanding - June 30, 2014	1,323,376	$ 23.65		
Granted	221,316	25.79		
Exercised	(306,966)	13.42		
Canceled (forfeited/expired)	(242,838)	35.80		
Outstanding - June 30, 2015	994,888	24.33	5.9	$ 3,719,896
Exercisable - June 30, 2015	540,314	$ 24.65	3.5	$ 2,565,056

The weighted average grant-date fair value of options granted during fiscal 2015, 2014, and 2013 was $11.30, $11.42 and $9.96 respectively. The total intrinsic value of options exercised during 2015, 2014 and 2013 was $4.5 million, $0.2 million, and $0.8 million, respectively. As of June 30, 2015, there was $3.1 million of total unrecognized compensation cost related to nonvested options granted under the Plan. That cost is expected to be recognized over a weighted average period of 3.0 years. A summary of the nonvested shares as of June 30, 2015 and changes during the year then ended is presented below:

Options	Shares	Weighted Average Grant Date Fair Value
Nonvested June 30, 2014	330,677	$ 9.10
Granted	221,316	11.30
Vested	(87,419)	7.31
Canceled (forfeited/expired)	(10,000)	10.25
Nonvested at June 30, 2015	454,574	$ 10.49

Restricted Stock Awards

On July 26, 2011, as a result of the Company's performance, the Compensation Committee of the Company's board of directors awarded Mr. Kathwari 30,000 service-based restricted shares, which vest in three equal annual installments on the grant date anniversary. Effective October 1, 2011, pursuant to the terms of the Agreement, Mr. Kathwari was awarded 105,000 shares of restricted stock, which vest ratably over a 5-year period on each June 30, unless earlier vested, in certain circumstances, in accordance with the terms of the Agreement.

A summary of nonvested restricted share activity occurring during the fiscal year ended June 30, 2015 is presented below.

Restricted Awards	Shares	Weighted Average Grant Date Fair Value
Nonvested - June 30, 2014	52,000	$ 14.66
Granted	-	
Vested	(31,000)	15.37
Canceled (forfeited/expired)	-	
Nonvested - June 30, 2015	21,000	$ 13.61

As of June 30, 2015, there was $0.3 million of total unrecognized compensation cost related to restricted shares granted under the Plan. That cost is expected to be recognized over a weighted average period of 1.0 years. The total fair value of restricted shares vested during the fiscal years ending June 30, 2015 and 2014 was $0.8 million and $0.9 million respectively.

Stock Unit Awards

In connection with previous employment agreements, Mr. Kathwari was deemed to have earned 126,000 stock units. In the event of the termination of his employment, regardless of the reason for termination, Mr. Kathwari will receive shares of common stock equal to the number of stock units earned.

(11) Income Taxes

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

	2015	2014	2013
Current:			
Federal	$ 15,064	$ 20,693	$ 13,305
State	489	1,900	1,822
Foreign	55	60	125
Total current	15,608	22,653	15,252
Deferred:			
Federal	2,979	(941)	1,798
State	759	(1,921)	669
Foreign	195	(320)	(23)
Total deferred	3,933	(3,182)	2,444
Income Tax Expense (Benefit)	$ 19,541	$ 19,471	$ 17,696

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

	2015		2014		2013	
Expected Income Tax Expense	$ 19,839	35.0%	$ 21,841	35.0%	$ 17,561	35.0%
State income taxes, net of federal income tax	1,597	2.8%	2,209	3.5%	1,467	2.9%
Valuation allowance	409	0.7%	(1,540)	-2.5%	631	1.3%
Section 199 Qualified Production Activities deduction	(998)	-1.8%	(1,342)	-2.2%	(1,157)	-2.3%
Unrecognized tax expense (benefit)	(641)	-1.1%	(904)	-1.4%	30	0.1%
Other, net	(665)	-1.2%	(793)	-1.3%	(836)	-1.7%
Actual income tax expense (benefit)	$ 19,541	34.5%	$ 19,471	31.2%	$ 17,696	35.3%

The deferred income tax asset and liability balances at June 30 (in thousands) include:

	2015	2014
Deferred tax assets:		
Accounts receivable	$ 534	$ 557
Inventories	-	223
Employee compensation accruals	4,555	5,168
Stock based compensation	2,639	2,468
Deferred rent credits	5,943	5,695
Restructuring charges	387	465
Net operating loss carryforwards	4,059	4,004
Goodwill	2,748	3,870
Other, net	2,320	2,693
Total deferred tax assets	23,185	25,143
Less: Valuation allowance	(1,816)	(1,408)
Net deferred tax assets	21,369	23,735
Deferred tax liabilities:		
Inventories	149	-
Property, plant and equipment	1,358	622
Intangible assets other than goodwill	14,261	14,306
Commissions	3,999	3,274
Other, net	-	-
Total deferred tax liability	19,767	18,202
Total net deferred tax asset	$ 1,602	$ 5,533

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

	2015	2014
Current assets	$ 2,301	$ 4,028
Non-current assets	3,932	4,440
Current liabilities	-	-
Non-current liabilities	4,631	2,935
Total net deferred tax asset	$ 1,602	$ 5,533

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

We evaluate our deferred taxes to determine if the “more likely than not” standard of evidence has not been met thereby supporting the need for a valuation allowance. A valuation allowance must be established for deferred tax assets when it is less than 50% likely that assets will be realized. At June 30 of 2015, 2014 and 2013, such an allowance was in place against the Belgian foreign tax assets in our retail segment, and at June 30, 2015 this valuation allowance was approximately $1.8 million. At June 30, 2013, a valuation allowance was also in place against certain U.S. retail segment assets. During fiscal 2014, we determined these assets would likely be realized due to a return to profitability that remains through fiscal 2015. Accordingly, during fiscal 2014, we released all of the U.S. retail segment valuation allowance remaining against deferred tax assets, recording a tax benefit of $2 million at that time.

The Company's deferred income tax assets at June 30, 2015 with respect to the net operating losses expire as follows (in thousands):

	Deferred Income Tax Assets	Net Operating Loss Carryforwards
United States (State), expiring between 2016 and 2032	$ 1,641	$ 35,761
Foreign, Expiring between 2029 and 2033	2,419	7,579

Deferred U.S. federal income taxes are not provided for unremitted foreign earnings of our foreign subsidiaries because we expect those earnings will be permanently reinvested.

Uncertain Tax Positions

We recognize interest and penalties related to income tax matters as a component of income tax expense. If the $3.1 million of unrecognized tax benefits and related interest and penalties as of June 30, 2015 were recognized, approximately $2.0 million would be recorded as a benefit to income tax expense. A reconciliation of the beginning and ending amount of unrecognized tax benefits including related interest and penalties as of June 30, 2015 and 2014 is as follows (in thousands):

	2015	2014
Beginning balance	$ 4,699	$ 6,843
Additions for tax positions taken	568	1,642
Reductions for tax positions taken in prior years	(1,555)	(2,853)
Settlements	(596)	(933)
Ending balance	$ 3,117	$ 4,699

It is reasonably possible that various issues relating to approximately $1.2 million of the total gross unrecognized tax benefits as of June 30, 2015 will be resolved within the next twelve months as exams are completed or statutes expire. If recognized, approximately $0.8 million of unrecognized tax benefits would reduce our tax expense in the period realized. However, actual results could differ from those currently anticipated.

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 by the taxing authorities in such major jurisdictions as the U.S. Canada, Mexico, Belgium and Honduras. As of June 30, 2015, the Company and certain subsidiaries are currently under audit from 2007 through 2013 in the U.S. 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.

(12) Employee Retirement Programs

The Ethan Allen Retirement Savings Plan

The Ethan Allen Retirement Savings Plan (the "Savings Plan") is a defined contribution plan, which is offered to substantially all of our employees who have completed three consecutive months of service regardless of hours worked. We may, at our discretion, make a matching contribution to the 401(k) portion of the Savings Plan on behalf of each participant. Total 401(k) Company match expense amounted to $3.3 million in 2015, $2.8 million in 2014, and $2.9 million in 2013. The contribution was made entirely in cash in 2015, 2014 and 2013.

Other Retirement Plans and Benefits

Ethan Allen provides additional benefits to selected members of senior and middle management in the form of previously entered deferred compensation arrangements and a management cash bonus and other incentive programs. The total cost of these benefits was $3.7 million, $3.5 million, and $3.4 million in 2015, 2014 and 2013, respectively.

(13) Litigation

Environmental Matters

We and our subsidiaries are subject to various environmental laws and regulations. Under these laws, we and/or our subsidiaries are, or may be, required to remove or mitigate the effects on the environment of the disposal or release of certain hazardous materials. We believe our currently anticipated capital expenditures for environmental control facility matters are not material.

We are subject to other federal, state and local environmental protection laws and regulations and are involved, from time to time, in investigations and proceedings regarding environmental matters. Such investigations and proceedings typically concern air emissions, water discharges, and/or management of solid and hazardous wastes. We believe that our facilities are in material compliance with all applicable environmental laws and regulations.

Federal and state regulations provided the initiative for us 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.

(14) Accumulated Other Comprehensive Income

The following table sets forth the activity in accumulated other comprehensive income for the fiscal year ended June 30, 2015 (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	$ (3,308)	$ -	$ (11)	$ (3,319)
Amounts reclassified from accumulated other comprehensive income	$ -	$ 39	$ -	$ 39
Current period other comprehensive income	$ (3,308)	$ 39	$ (11)	$ (3,280)
Balance June 30, 2015	$ (2,638)	$ -	$ -	$ (2,638)

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 period of time. The derivative instruments were reclassified to interest expense in our consolidated statements of operations.

(15) Segment Information

Our operations are classified into two operating segments: wholesale and retail. These operating segments represent strategic business areas which, although they operate separately and provide their own distinctive services, enable us to more effectively offer our complete line of home furnishings and 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. Wholesale profitability includes (i) the wholesale gross margin, which represents the difference between the wholesale sales price and the cost associated with manufacturing and/or sourcing the related product, and (ii) other operating costs associated with wholesale segment activities.

The retail segment sells home furnishings and 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. Retail profitability includes (i) the retail gross margin, which represents the difference between the retail sales price and the cost of goods purchased from the wholesale segment, and (ii) other operating costs associated with retail segment activities.

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

We evaluate performance of the respective segments based upon revenues and operating income. While the manner in which our home furnishings and accents 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 generally follows that of the wholesale segment (see the product line table below). A breakdown of wholesale sales by product line for each of the last three fiscal years ended June 30 is provided below:

	Fiscal Year Ended June 30,		
	2015	2014	2013
Case Goods	34%	36%	37%
Upholstered Products	48%	48%	48%
Home Accessories and Other	18%	16%	15%
	100%	100%	100%

Information for each of the last three fiscal years ended June 30 is provided below (in thousands):

	2015	2014	2013
Net sales:			
Wholesale segment	$ 469,384	$ 453,607	$ 434,439
Retail segment	579,713	580,739	578,284
Elimination of inter-company sales	(294,497)	(287,687)	(283,640)
Consolidated Total	$ 754,600	$ 746,659	$ 729,083
Operating income (loss):			
Wholesale segment	$ 66,988	$ 57,816	$ 50,843
Retail segment	1,726	10,515	8,016
Adjustment of inter-company profit (1)	(2,780)	1,305	1,578
Consolidated Total	$ 65,934	$ 69,636	$ 60,437
Depreciation & Amortization:			
Wholesale segment	$ 8,044	$ 7,887	$ 8,166
Retail segment	11,098	10,043	9,842
Consolidated Total	$ 19,142	$ 17,930	$ 18,008
Capital expenditures:			
Wholesale segment	$ 9,427	$ 11,013	$ 7,024
Retail segment	10,360	8,292	11,981
Acquisitions	1,991	-	770
Consolidated Total	$ 21,778	$ 19,305	$ 19,775

	June 30 2015	June 30 2014	June 30 2013
Total Assets:			
Wholesale segment	$ 297,280	$ 339,271	$ 291,942
Retail segment	341,886	344,025	355,233
Inventory profit elimination (2)	(31,858)	(28,862)	(29,890)
Consolidated Total	$ 607,308	$ 654,434	$ 617,285

(1) Represents the change in wholesale profit contained in Ethan Allen design center inventory at the end of the period.

(2) 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.

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. The number of international design centers, and the related net sales as a percent of our consolidated net sales is shown in the following table.

	Fiscal Year Ended June 30,		
	2015	2014	2013
Independent design centers	97	91	86
Company operated design centers	7	8	8
Total international design centers	104	99	94
Percentage of consolidated net sales	11.6%	10.6%	8.9%

(16) Selected Quarterly Financial Data (Unaudited)

Tabulated below is selected financial data for each quarter of the fiscal years ended June 30, 2015, 2014, and 2013 (in thousands, except per share data):

	Quarter Ended			
	September 30	December 31	March 31	June 30
Fiscal 2015:				
Net Sales	$ 190,706	$ 197,067	$ 173,259	$ 193,568
Gross profit	104,803	106,074	94,110	106,176
Net income	11,879	10,038	2,536	12,689
Earnings per basic share	0.41	0.35	0.09	0.44
Earnings per diluted share	0.41	0.34	0.09	0.44
Dividends declared per common share	0.12	0.12	0.12	0.14
Fiscal 2014:				
Net Sales	$ 181,659	$ 193,104	$ 173,061	$ 198,835
Gross profit	98,743	105,999	93,130	108,624
Net income	9,034	11,555	5,258	17,084
Earnings per basic share	0.31	0.40	0.18	0.59
Earnings per diluted share	0.31	0.39	0.18	0.58
Dividends declared per common share	0.10	0.10	0.10	0.10
Fiscal 2013:				
Net Sales	$ 187,437	$ 191,251	$ 168,144	$ 182,251
Gross profit	104,253	103,967	91,785	98,344
Net income	10,064	9,846	4,374	8,194
Earnings per basic share	0.35	0.34	0.15	0.28
Earnings per diluted share	0.35	0.34	0.15	0.28
Dividends declared per common share	0.09	0.50	0.09	0.09

(17) Financial Instruments

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 should be calculated based on assumptions that market participants would use in pricing the asset or liability, 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 the 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 June 30, 2015 and June 30, 2014 (in thousands):

	June 30, 2015			
	Level 1	Level 2	Level 3	Balance
Cash equivalents	$ 84,192	$ -	$ -	$ 84,192
Available-for-sale securities	-	2,198	-	2,198
Total	$ 84,192	$ 2,198	$ -	$ 86,390

	June 30, 2014			
	Level 1	Level 2	Level 3	Balance
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 fiscal years 2015 or 2014. At June 30, 2015 and 2014, $8.0 million and $8.5 million, respectively, of cash equivalents were restricted and classified as a long-term asset.

At June 30, 2015 available-for-sale securities consist of $2.2 million of U.S. municipal bonds, and at June 30, 2014, available for sale securities consisted of $18.2 million in U.S. municipal bonds. All securities in both years have maturities of less than two years, and are rated A/A2 or better by S&P/Moody's respectively. There were no material gross unrealized gains or losses on available-for-sale securities at June 30, 2015 or June 30, 2014.

Additional information on available-for-sale securities balances at June 30 are provided in the following table (in thousands).

	Amortized Cost Basis	Fair Value
2015	$ 2,155	$ 2,198
2014	$ 17,909	$ 18,153

The contractual maturities of our available-for-sale investments as of June 30, 2015 and 2013 were as follows (in thousands):

	June 30, 2015	
	Cost	Estimated Fair Value
Due in one year or less	$ 2,296	$ 2,198
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

Proceeds from sales of investments available for sale were $15.4 million in fiscal 2015 and $14.9 million during fiscal 2014, resulting in no material gain or loss in either period. There were no investments that have been in a continuous loss position for more than one year, and there have been no other-than-temporary impairments recognized.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

We measure certain assets, including our cost and equity method investments, at fair value on a nonrecurring basis. These assets are recognized at fair value when they are deemed to be other-than-temporarily impaired. During the year ended June 30, 2015, we determined that certain long-lived assets of our retail design centers in Belgium were impaired, and an impairment charge of $0.8 million was recorded. The Company's decision during the third quarter of fiscal 2015 to exit the lease in Brussels led to our re-evaluation of the future cash flows of that asset group over a shorter useful life than previously expected.

(18) Restricted Cash and Investments

At June 30, 2015 and 2014 we held $8.0 million and $8.5 million, respectively, of cash and investments in lieu of providing letters of credit for the benefit of the provider of our workmen's compensation and other insurance liabilities, and for the benefit of the issuer of our private label credit cards to ensure funding for delivery of products sold. These restricted funds, which can be invested by us in money market mutual funds, and U.S. Treasuries and U.S. Government agency fixed income instruments with maturities of two years or less, cannot be withdrawn from our account without the prior written consent of the secured parties. These restricted funds are classified as long-term assets because they are not expected to be used within one year to fund operations. See also Note 17, "Financial Instruments".

(19) Subsequent Events

None.

(20) VALUATION AND QUALIFYING ACCOUNTS

The following table provides information regarding the Company's sales discounts, sales returns and allowance for doubtful accounts (in thousands):

	Balance at Beginning of Period	Additions (Reductions) Charged to Income	Adjustments and/or Deductions	Balance at End of Period
Accounts Receivable:				
Sales discounts, sales returns and allowance for doubtful accounts:				
June 30, 2015	$ 1,442	$ (56)	$ -	$ 1,386
June 30, 2014	$ 1,230	$ 212	$ -	$ 1,442
June 30, 2013	$ 1,250	$ (20)	$ -	$ 1,230

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

None.

Item 9A. 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 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 June 30, 2015, 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.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f) and 15d-15(f). Under the supervision and with the participation of management, including the CEO and CFO, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework). Based on that evaluation, management concluded that our internal control over financial reporting was effective as of June 30, 2015.

KPMG LLP, the independent registered public accounting firm that audited the consolidated financial statements included in this Annual Report on Form 10-K, has also audited the effectiveness of our internal control over financial reporting as of June 30, 2015, as stated in their report included under Item 8 of this Annual Report.

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 fourth fiscal quarter ended June 30, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Except as set forth below, the information required by Items 10, 11, 12, 13 and 14 will appear in the Ethan Allen Interiors Inc. proxy statement for the Annual Meeting of Shareholders scheduled to be held on October 15, 2015 (the "Proxy Statement"). The Proxy Statement, which will be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934, is incorporated by reference in this Annual Report pursuant to General Instruction G(3) of Form 10-K (other than the portions thereof not deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934). In addition, the information set forth below is provided as required by Item 10 and the listing standards of the New York Stock Exchange ("NYSE").

Item 10. Directors, Executive Officers and Corporate Governance

Code of Ethics

We have adopted a code of ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. Our code of ethics can be accessed via our website at www.ethanallen.com/governance.

We intend to disclose any amendment of our Code of Ethics, or any waiver of any provision thereof, applicable to our principal executive officer and/or principal financial officer, or persons performing similar functions, directors and other executive officers on our website within 4 days of the date of such amendment or waiver. In the case of a waiver, the nature of the waiver, the name of the person to whom the waiver was granted, and the date of the waiver will also be disclosed.

Information contained on, or connected to, our website is not incorporated by reference into this Form 10-K and should not be considered part of this or any other report that we file with, or furnish to, the SEC.

Audit Committee Financial Expert

Our Board of Directors has determined that we have four "audit committee financial experts", as defined under Item 407(d)(5)(ii) of Regulation S-K of the Securities Exchange Act of 1934, currently serving on our Audit Committee. Those members of our Audit Committee who are deemed to be audit committee financial experts are as follows:

James B. Carlson
Clinton A. Clark
Kristin Gamble
Dr. James W. Schmotter

All persons identified as audit committee financial experts are independent from management as defined by the applicable listing standards of the New York Stock Exchange.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)(1) Financial Statements. Our Consolidated Financial Statements, included under Item 8 hereof, as required at June 30, 2015 and 2014, and for the years ended June 30, 2015, 2014 and 2013 consist of the following:

Consolidated Balance Sheets

Consolidated Statements of Operations

Consolidated Statements of Cash Flows

Consolidated Statements of Shareholders' Equity

Notes to Consolidated Financial Statements

(a)(2) Financial Statement Schedules. None.

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

	Exhibit Number	Exhibit
*	3 (a)	Restated Certificate of Incorporation of the Company dated as of March 23, 1993. Certificate of Amendment to Restated Certificate of Incorporation dated as of August 5, 1997. Second Certificate of Amendment to Restated Certificate of Incorporation dated as of March 27, 1998. Third Certificate of Amendment to Restated Certificate of Incorporation dated as of April 28, 1999. Fourth Amendment to Restated Certificate of Incorporation dated as of December 5, 2013.

*	3 (b)	Certificate of Designations relating to the New Convertible Preferred Stock dated as of March 23, 1993
*	3 (c)	Certificate of Designation relating to the Series C Junior Participating Preferred Stock dated as of July 3, 1996, and Certificate of Amendment of Certificate of Designations of Series C Junior Participating Preferred Stock dated as of December 27, 2004
	3 (d)	Amended and Restated By-laws of the Company (incorporated by reference to Exhibit 3(d) to the Registration Statement on Form S-1 of the Company filed with the SEC on March 16, 1993)
	3 (e)	Certificate of Incorporation of Ethan Allen Global, Inc. (incorporated by reference to Exhibit 3(e) to the Registration Statement on Form S-4 of Ethan Allen Global, Inc. filed with the SEC on February 3, 2006)
	3 (f)	By-laws of Ethan Allen Global, Inc. (incorporated by reference to Exhibit 3(f) to the Registration Statement on Form S-4 of Ethan Allen Global, Inc. filed with the SEC on February 3, 2006)
	3 (g)	Restated Certificate of Incorporation of Ethan Allen Inc. (now known as, Ethan Allen Retail, Inc.) (incorporated by reference to Exhibit 3(g) to the Registration Statement on Form S-4 of Ethan Allen Global, Inc. filed with the SEC on February 3, 2006)
	3 (g)-1	Certificate of Amendment of Restated Certificate of Incorporation of Ethan Allen Inc. (now known as Ethan Allen Retail, Inc.) as of June 29, 2005 (incorporated by reference to Exhibit 3(g)-1 to the Registration Statement on Form S-4 of Ethan Allen Global, Inc. filed with the SEC on February 3, 2006)
	3 (h)	Amended and Restated By-laws of Ethan Allen Inc. (now known as Ethan Allen Retail, Inc.) (incorporated by reference to Exhibit 3(h) to the Registration Statement on Form S-4 of Ethan Allen Global, Inc. filed with the SEC on February 3, 2006)
	3 (i)	Certificate of Incorporation of Ethan Allen Manufacturing Corporation (now known as Ethan Allen Operations, Inc.) (incorporated by reference to Exhibit 3(i) to the Registration Statement on Form S-4 of Ethan Allen Global, Inc. filed with the SEC on February 3, 2006)
	3 (i)-1	Certificate of Amendment of Certificate of Incorporation of Ethan Allen Manufacturing Corporation (now known as, Ethan Allen Operations, Inc.) as of June 29, 2005 (incorporated by reference to Exhibit 3(i)-1 to the Registration Statement on Form S-4 of Ethan Allen Global, Inc. filed with the SEC on February 3, 2006)
	3 (j)	By-laws of Ethan Allen Manufacturing Corporation (now known as, Ethan Allen Operations, Inc.) (incorporated by reference to Exhibit 3(j) to the Registration Statement on Form S-4 of Ethan Allen Global, Inc. filed with the SEC on February 3, 2006)
	3 (k)	Certificate of Formation of Ethan Allen Realty, LLC (incorporated by reference to Exhibit 3(k) to the Registration Statement on Form S-4 of Ethan Allen Global, Inc. filed with the SEC on February 3, 2006)
	3 (l)	Limited Liability Company Operating Agreement of Ethan Allen Realty, LLC (incorporated by reference to Exhibit 3(l) to the Registration Statement on Form S-4 of Ethan Allen Global, Inc. filed with the SEC on February 3, 2006)
	3 (l)-1	Amendment No. 1 to Operating Agreement of Ethan Allen Realty, LLC as of June 30, 2005 (incorporated by reference to Exhibit 3(l)-1 to the Registration Statement on Form S-4 of Ethan Allen Global, Inc. filed with the SEC on February 3, 2006)
	3 (m)	Certificate of Incorporation of Lake Avenue Associates, Inc. (incorporated by reference to Exhibit 3(m) to the Registration Statement on Form S-4 of Ethan Allen Global, Inc. filed with the SEC on February 3, 2006)
	3 (n)	By-laws of Lake Avenue Associates, Inc. (incorporated by reference to Exhibit 3(n) to the Registration Statement on Form S-4 of Ethan Allen Global, Inc. filed with the SEC on February 3, 2006)
	3 (o)	Certificate of Incorporation of Manor House, Inc. (incorporated by reference to Exhibit 3(o) to the Registration Statement on Form S-4 of Ethan Allen Global, Inc. filed with the SEC on February 3, 2006)

	3 (p)	Restated By-laws of Manor House, Inc. (incorporated by reference to Exhibit 3(p) to the Registration Statement on Form S-4 of Ethan Allen Global, Inc. filed with the SEC on February 3, 2006)
	4 (a)	Form of outstanding 5.375% Senior Note due 2015 pursuant to Rule 144A of the Securities Act (incorporated by reference to Exhibit A to Exhibit 10.2 to the Current Report on Form 8-K of the Company filed with the SEC on September 30, 2005)
	4 (b)	Indenture dated September 27, 2005, by and among Ethan Allen Global, Inc., the Guarantors named therein, and the Initial Purchaser named therein, relating to the Notes (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K of the Company filed with the SEC on September 30, 2005)
	4 (c)	Form of Exchange Note (incorporated by reference to Exhibit 4(d) to the Registration Statement on Form S-4 of Ethan Allen Global, Inc. filed with the SEC on February 3, 2006)
	10 (a)	Restated Directors Indemnification Agreement dated March 1993, among the Company and Ethan Allen and their Directors (incorporated by reference to Exhibit 10(c) to the Registration Statement on Form S-1 of the Company filed with the SEC on March 16, 1993)
	10 (b)	The Ethan Allen Retirement Savings Plan as Amended and Restated, effective January 1, 2006 (incorporated by reference to Exhibit 10(b)-7 to the Quarterly Report on Form 10-Q of the Company filed with the SEC on November 5, 2007
	10 (c)	Sales Finance Agreement, dated June 25, 1999, between the Company and MBNA America Bank, N.A. (incorporated by reference to Exhibit 10(j) to the Annual Report on Form 10-K of the Company filed with the SEC on September 13, 2000)
	10 (d)	Second Amended and Restated Private Label Consumer Credit Card Program Agreement, dated as of July 23, 2007, by and between Ethan Allen Global, Inc., Ethan Allen Retail, Inc. and GE Money Bank (incorporated by reference to Exhibit 10(e)-3 to the Quarterly Report on Form 10-Q of the Company filed with the SEC on November 5, 2007)(confidential treatment granted under Rule 24b-2 as to certain portions which are omitted and filed separately with the SEC)
	10 (d)-1	First Amendment to Second Amended and Restated Private Label Consumer Credit Card Program Agreement, dated as of July 25, 2008, by and between Ethan Allen Global, Inc., Ethan Allen Retail, Inc. and GE Money Bank (incorporated by reference as Exhibit 10(e)-1 to the Quarterly Report on Form 10-Q of the Company filed with the SEC on May 10, 2010)
	10 (d)-2	Second Amendment to Second Amended and Restated Private Label Consumer Credit Card Program Agreement, dated as of February 16, 2010, by and between Ethan Allen Global, Inc., Ethan Allen Retail, Inc. and GE Money Bank (incorporated by reference as Exhibit 10(e)-2 to the Quarterly Report on Form 10-Q of the Company filed with the SEC on May 10, 2010) (confidential treatment granted under Rule 24b-2 as to certain portions which are omitted and filed separately with the SEC)
	10 (d)-3	Third Amendment to Second Amended and Restated Private Label Consumer Credit Card Program Agreement, dated as of June 30, 2011, by and between Ethan Allen Global, Inc., Ethan Allen Retail, Inc. and GE Money Bank (incorporated by reference to Exhibit 10(e)-3 to the Quarterly Report on Form 10-Q of the Company filed with the SEC on November 3, 2010) (confidential treatment under Rule 24b-2 requested as to certain portions which are omitted and filed separately with the SEC)
	10 (d)-4	Fourth Amendment to Second Amended and Restated Private Label Consumer Credit Card Program Agreement dated as of January 1, 2014, by and between Ethan Allen Global, Inc., Ethan Allen Retail, Inc., and GE Capital Retail Bank (incorporated by reference to Exhibit 10(d)-4 to the Quarterly Report on Form 10-Q of the Company filed with the SEC on January 31, 2014) (confidential treatment requested under Rule 24b-2 as to certain portions which are omitted and filed separately with the SEC)
*	10 (d)-5	Fifth Amendment to Second Amended and Restated Private Label Consumer Credit Card Program Agreement effective as of July 1, 2015, by and between Ethan Allen Global, Inc., Ethan Allen Retail, Inc., and Synchrony Bank (confidential treatment requested under Rule 24b-2 as to certain portions which are omitted and filed separately with the SEC)
	10 (e)	Employment Agreement, dated as of September 30, 2011, by and among Ethan Allen Interiors Inc., Ethan Allen Global Inc. and M. Farooq Kathwari (incorporated herein by reference to Exhibit 10(I) to the Current Report on Form 8-K of the Company filed with the SEC on October 6, 2011)

	10(e)-1	Amendment, dated as of March 14, 2013, to Employment Agreement, dated as of September 30, 2011, by and among Ethan Allen Interiors Inc., Ethan Allen Global Inc. and M. Farooq Kathwari (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K of the Company filed with the SEC on March 14, 2013)
	10 (f)-1	Credit Agreement, dated as of May 29, 2009, among Ethan Allen Global, Inc., Ethan Allen Interiors Inc., J.P. Morgan Chase Bank, N.A., and Capital One Leverage Finance Corp (confidential treatment requested as to certain portions. Incorporated by reference to Exhibit 10(g)-2 to the Annual Report on Form 10-K of the Company filed with the SEC on August 24, 2009)
	10 (f)-2	Amendment No. 1, dated as of October 23, 2009 to the Credit Agreement dated May 29, 2009, among Ethan Allen Global, Inc., Ethan Allen Interiors Inc., J.P.Morgan Chase Bank, N.A., and the lenders thereunder (incorporated by reference to the Quarterly Report on Form 10-Q of the Company filed with the SEC on November 9, 2009).
	10 (f)-3	Amendment No. 2, dated as of March 25, 2011, to the Credit Agreement dated May 29, 2009, among Ethan Allen Global, Inc., Ethan Allen Interiors Inc., J.P.Morgan Chase Bank, N.A., and Wells Fargo Bank, National Association (incorporated by reference to the Quarterly Report on Form 10-Q of the Company filed with the SEC on May 5, 2011)
	10 (f)-4	Amended and Restated Credit Agreement, dated 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 herein by reference to Exhibit 10.1 to the Current Report on Form 8-K of the Company filed with the SEC on October 22, 2014)
	10 (g)	Amended and Restated 1992 Stock Option Plan (incorporated by reference to Exhibit 10(f) to the Current Report on Form 8-K of the Company filed with the SEC on November 19, 2007)
	10 (g)-1	Form of Option Agreement for Grants to Independent Directors (incorporated by reference to Exhibit 10(h)-4 to the Annual Report on Form 10-K of the Company filed with the SEC on September 13, 2005
	10 (g)-2	Form of Option Agreement for Grants to Employees (incorporated by reference to Exhibit 10(h)-5 to the Annual Report on Form 10-K of the Company filed with the SEC on September 13, 2005
	10 (g)-3	Form of Restricted Stock Agreement for Executives (incorporated by reference to Exhibit 10(f)-1 to the Current Report on Form 8-K of the Company filed with the SEC on November 19, 2007
	10 (g)-4	Form of Restricted Stock Agreement for Directors (incorporated by reference to Exhibit 10(f)-2 to the Current Report on Form 8-K of the Company filed with the SEC on November 19, 2007
	10 (g)-5	Form of performance condition option agreement for employees (incorporated by reference to Exhibit 10(g)-5 to the Quarterly Report on Form 10-Q of the Company filed with the SEC on May 1, 2014)
	10 (h)	Purchase Agreement dated September 22, 2005, by and between Ethan Allen Global, Inc., the Guarantors named therein, and the Initial Purchaser named therein, relating to the Initial Notes (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of the Company filed with the SEC on September 30, 2005)
	10 (i)	Registration Rights Agreement dated September 27, 2005, by and among Ethan Allen Global, Inc., the Guarantors named therein, and the Initial Purchaser named therein, relating to the Notes (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K of Ethan Allen Interiors Inc. filed with the SEC on September 30, 2005)
*	12 (a)	Computation of Ratio of Earnings to Fixed Charges
*	21	List of wholly-owned subsidiaries of the Company
*	23	Consent of KPMG LLP
*	31.1	Rule 13a-14(a) Certification of Principal Executive Officer
*	31.2	Rule 13a-14(a) Certification of Principal Financial Officer
*	32.1	Section 1350 Certification of Principal Executive Officer
*	32.2	Section 1350 Certification of Principal Financial Officer
**	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

* Filed herewith.

** 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 deemed not 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)

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

DATE: August 11, 2015

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

DATE: August 11, 2015

KNOW ALL MEN BY THESE PRESENTS, that each individual whose signature appears below hereby constitutes and appoints M. Farooq Kathwari and Corey Whitely, and each of them individually, his or her true and lawful agent, proxy and attorney-in-fact, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to (i) act on, sign and file with the Securities and Exchange Commission any and all amendments to this Report together with all schedules and exhibits thereto, (ii) act on, sign and file with the Securities and Exchange Commission any and all exhibits to this Report and any and all exhibits and schedules thereto, (iii) act on, sign and file any and all such certificates, notices, communications, reports, instruments, agreements and other documents as may be necessary or appropriate in connection therewith and (iv) take any and all such actions which may be necessary or appropriate in connection therewith, granting unto such agents, proxies and attorneys-in-fact, and each of them individually, full power and authority to do and perform each and every act and thing necessary or appropriate to be done, as fully for all intents and purposes as he or she might or could do in person, and hereby approving, ratifying and confirming all that such agents, proxies and attorneys-in-fact, any of them or any of his, her or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

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

/s/ M. Farooq Kathwari (M. Farooq Kathwari)	Chairman, President and Chief Executive Officer (Principal Executive Officer)
/s/ Corey Whitely (Corey Whitely)	Executive Vice President, Administration, Chief Financial Officer and Treasurer (Principal Financial Officer)
/s/ John S. Bedford (John S. Bedford)	Vice President, Corporate Controller (Principal Accounting Officer)
/s/ James B. Carlson (James B. Carlson)	Director
/s/ Clinton A. Clark (Clinton A. Clark)	Director
/s/ John Dooner (John Dooner)	Director
/s/ Kristin Gamble (Kristin Gamble)	Director
/s/ James W. Schmotter (James W. Schmotter)	Director
/s/ Frank G. Wisner (Frank G. Wisner)	Director
/s/ Dominick Esposito (Dominick Esposito)	Director

Date: August 11, 2015

RESTATED CERTIFICATE OF INCORPORATION
OF
ETHAN ALLEN INTERIORS INC.

* * * * *

ETHAN ALLEN INTERIORS INC., a Delaware corporation (the "Corporation") hereby certifies as follows:

1. The name of the Corporation is Ethan Allen Interiors Inc. and the name under which the Corporation was originally incorporated was Green Mountain Holding Corporation. The date of the filing of its original Certificate of Incorporation with the Secretary of State was May 25, 1989.

2. The Corporation previously amended and restated its Certificate of Incorporation by filing a Restated Certificate of Incorporation with the Secretary of State of Delaware on each of June 28, 1989, June 29, 1989 and March 19, 1991, and by filing a Certificate of Amendment on January 27, 1993.

3. This Restated Certificate of Incorporation was duly adopted in accordance with Section 242 and Section 245 of the Delaware General Corporation Law (the "Delaware Law").

4. The text of the Certificate of Incorporation of the Corporation as hereby and heretofore amended or supplemented is hereby amended and restated to read as herein set forth in full:

FIRST: The name of the Corporation is Ethan Allen Interiors Inc.

SECOND: The address of its registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street, City of Wilmington, County of New Castle, Delaware 19801. The name of its registered agent at such address is The Corporation Trust Company.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware as the same exists or may hereafter be amended (the "Delaware Law").

FOURTH: The total number of shares of capital stock which the Corporation shall have authority to issue is 26,655,000 shares, consisting of 25,000,000 shares of Common Stock, par value $0.01 per share (the "Common Stock"), 600,000 shares of Class B Common Stock, par value $0.01 per share (the "Class B Common Stock"), and 1,055,000 shares of Preferred Stock, par value $0.01 per share (the "Preferred Stock").

A. PREFERRED STOCK

The Board of Directors is expressly authorized to provide for the issuance of all or any shares of the Preferred Stock in one or more classes or series, and to fix for each such class or series such voting powers, full or limited, or no voting powers, and such distinctive designations, preferences and relative, participating, optional or other special rights and such qualifications, limitations or restrictions thereof, as shall be stated and expressed in the resolution or resolutions adopted by the Board of Directors providing for the issuance of such class or series and as may be permitted by the General Corporation Law of the State of Delaware, including, without limitation, the authority to provide that any such class or series may be (i) subject to redemption at such time or times and at such price or prices and upon such terms and conditions; (ii) entitle to receive dividends (which may be cumulative or non-cumulative) at such rates, on such conditions, and at such times, and payable in preference to, or in such relation to, the dividends payable on any other class or classes or any other series; (iii) entitled to such rights upon the dissolution of, or upon any distribution of the assets of, the Corporation; or (iv) convertible into, or exchangeable for, shares of any other class or classes of stock, or of any other series of the same or any other class or classes of stock, or debt or obligations, of the Corporation at such price or prices or at such rates of exchange and with such adjustments and upon such terms and conditions; all as may be stated in such resolution or resolutions.

B. COMMON STOCK

Except as herein otherwise expressly provided, all shares of Common Stock and Class B Common Stock (collectively referred to herein as "All Common Stock") shall be identical and shall entitle the holders thereof to the same rights and privileges.

1. Dividends. Subject to the preferences and other rights of any class or series of Preferred Stock then outstanding, the Board of Directors of the Corporation may cause dividends to be paid to the holders of shares of All Common Stock out of funds legally available for the payment of dividends by declaring an amount per share as a dividend. When and as dividends are declared, whether payable in cash, in property or in shares of stock of the Corporation, the holders of All Common Stock shall be entitled to share equally, share for share, in such dividends. No dividends shall be declared or paid in shares of All Common Stock, or options, warrants, or rights to acquire such stock or securities convertible into or exchangeable for shares of All Common Stock, except dividends payable ratably according to the number of shares of the class (Common Stock or Class B Common Stock) of All Common Stock held by such holders, in shares of, or securities convertible into or exchangeable for, the class of All Common Stock (Common Stock or Class B Common Stock) as is held by that holder, be it Common Stock or Class B Common Stock. Neither the Common Stock nor the Class B Common Stock may be subdivided, split, consolidated or reclassified unless the other is ratably subdivided, split, consolidated or reclassified.

2. Liquidation Rights. Subject to the preferences and other rights of any class or series of Preferred Stock then outstanding, in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, the holders of All Common Stock shall be entitled, to share, ratably according to the number of shares of All Common Stock held by them, in all remaining assets of the Corporation available for distribution to its stockholders.

3. Voting Rights. Except as otherwise provided in this Certificate of Incorporation (including, without limitation, any amendments to, restatements of or designations regarding any series or class of Preferred Stock) or by applicable law, only the holders of Common Stock shall be entitled to vote on each matter on which the stockholders of the Corporation shall be entitled to vote, and each holder of Common Stock shall be entitled to one vote for each share of Common Stock held by him; provided, however, (i) the holders of Class B Common Stock shall have no right to vote on any matters to be voted on by the stockholders of the Corporation and (ii) the Class B Common Stock shall not be included in determining the number of shares voting or entitled to vote on such matters.

4. Conversion of Class B Common Stock; Reservation of Shares.

a. Subject to and upon compliance with the provisions of this paragraph 4, each record holder of Class B Common Stock may convert the number of shares of his Class B Common Stock specified in the following clauses (i) and (ii) into the same number of shares of Common Stock if such shares of Common Stock are concurrently, or immediately thereafter, sold in accordance with the following:

I (i) such shares of Common Stock are sold by such holder in a public offering pursuant to an effective registration statement filed by the Corporation under the Securities Act of 1933, as amended (the "1933 Act"), provided that the number of shares of Class B Common Stock so converted does not exceed the number of shares of Common Stock actually sold by such holder pursuant to such registration statement; or

(ii) such shares of Common Stock are sold by such holder pursuant to Rule 144 (or any successor rule) promulgated under the 1933 Act, provided that the number of shares of Class B Common Stock so converted does not exceed the number of shares of Common Stock shown in the Form 144 filed by such holder in connection with such sale.

b. Each conversion of shares of Class B Common Stock into Common Stock shall be effected by the surrender of the certificate or certificates representing shares of Class B Common Stock to be converted at the principal office of the Corporation (or such other office or agency of the Corporation as the Corporation may designate by notice in writing to the holder or holders of Class B Common Stock) at any time during its usual business hours, which notice shall also state the name or names (with addresses) and denominations in which the certificate or certificates for Common Stock shall be issued and shall include instructions for delivery thereof. Such stock certificate and notice shall be accompanied by, if the conversion is made pursuant to clause (ii) of subparagraph a, an executed copy of the notice on Form 144 required to be filed by such holder with the Securities and Exchange Commission. Promptly after such surrender and the receipt of such written notice, the Corporation shall issue and deliver in accordance with such instructions the certificate or certificates for the Common Stock issuable upon such conversion. To the extent permitted by law, such conversion shall be deemed to have been effected as of the close of business on the date on which such certificate or certificates shall have been surrendered and such notice, if required hereunder, shall have been received.

c. The Corporation shall at all times reserve and keep available out of its authorized but unissued shares or in treasury a sufficient number of shares of Common Stock as may be required, solely for the purpose of issue upon the conversion of outstanding shares of Class B Common Stock as provided in this paragraph 4. The Corporation covenants that all shares of Common Stock which shall be so issuable shall, when issued, be duly and validly issued, fully paid and non-assessable, free of any preemptive rights. The Corporation will use reasonable efforts to take all such action as may be necessary to assure that all such shares of Common Stock may be so issued without violation of any applicable law or regulation or any requirements of any domestic stock exchange upon which shares of Common Stock may be listed.

d. The issuance of certificates for shares of Common Stock upon conversion of shares of Class B Common Stock shall be made without charge to the holders of such shares of Class B Common Stock for any issuance tax in respect thereof, or other cost incurred by the Corporation in connection with such conversion and the related issuance of shares of Common Stock, provided that the Corporation shall not be required to pay any such tax which may be payable in respect of any transfer involved in the issuance and delivery of any certificate in a name other than that of the holder of the Class B Common Stock converted. The Corporation will not take any action which would cause the total number of shares of Common Stock issuable upon conversion of the Class B Common Stock then outstanding, together with the total number of shares of Common Stock then outstanding and the total number of shares of Common Stock reserved for issuance upon conversion of the Preferred Stock or for any other purpose, to exceed the total number of shares of Common Stock then authorized by the Corporation's Certificate of Incorporation. The Corporation will not take any action which has the purpose or effect of delaying or hindering the timely transfer or conversion of any share of Class B Common Stock or of any share of Common Stock issued or issuable upon the conversion of such shares.

FIFTH: Business Combinations with or involving an Interested Person, as those terms are defined in this ARTICLE FIFTH, shall be subject to the requirements of this ARTICLE FIFTH.

A. DEFINITIONS

For purposes of this ARTICLE FIFTH:

An "affiliate" of a specified person is a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the specified person.

An "associate" of a specified person is (i) any person of which the specified person is an officer or partner or is, directly or indirectly, the beneficial owner of 10 percent or more of any class of equity securities; (ii) any trust or other estate in which the specified person owns 10 percent or more of the total beneficial interest or as to which the specified person serves as trustee or executor or in a similar fiduciary capacity; (iii) any relative or spouse of the specified person, or any relative of such spouse who has the same home as the specified person; (iv) any person who is a director or officer of the specified person or any corporation which controls or is controlled by the specified person; or (v) any other member or partner in a partnership, limited partnership, joint venture, syndicate or other entity or group, formal or informal, of which the specified person is a member or partner and which is acting together for the purpose of acquiring, holding or disposing of securities of the Corporation.

A "Business Combination" is (i) any merger or consolidation of the Corporation or any subsidiary of the Corporation with or into any other corporation or entity (other than such a merger or consolidation solely with a wholly-owned subsidiary of the Corporation); (ii) any sale, lease, exchange, mortgage, pledge, transfer or other disposition, in one or more transactions, whether as part of a dissolution or otherwise, of all or any substantial part of the assets of the Corporation and its subsidiaries on a consolidated basis (other than solely (a) in connection with any (1) customer, consumer or dealer credit card, revolving debt or other purchase finance program, or (2) lending, leasing or other credit or financing arrangement involving an Interested Person (b) in connection with any refinancing, replacement, restatement or substitution of any obligations or liabilities of the Company or any subsidiary of the Company, or (c) to a wholly-owned subsidiary of the Corporation); (iii) any transaction with an Interested Person which results in the issuance or transfer by the Corporation or any Subsidiary of the Corporation of beneficial ownership of any stock of the Corporation or the subsidiary to that Interested Person (other than solely by reason of (a) any exercise, exchange or conversion of securities exercisable or exchangeable for or convertible into such stock, which securities were beneficially owned by that Interested Person or authorized by the Company to be issued to that Interested Person either (1) as of April 1, 1993, or (2) prior to the time that person became an Interested Person, (b) any dividend, distribution, exchange or conversion of securities which does not result in an increase in the proportionate share beneficially owned by that Interested Person of the stock of any class or series or of the voting stock of the Corporation or that subsidiary, (c) any issuance of shares of stock by the Corporation or any subsidiary of the Corporation to any dealers or distributors, executives, managers or employees of the Company and/or any subsidiary of the Corporation, or any plan or program for their benefit or in which they are participants, (d) any issuance of shares of stock to an Interested Person acting as an underwriter, in connection with an underwritten public offering of stock, (e) any issuance or transfer of shares of any class or series of stock, in one or a series of related transactions, involving an Interested Person, which results in such Interested Person acquiring the beneficial ownership of no more than an additional 5% of the outstanding shares of that class or series on a fully-diluted basis, or (f) any issuance by the Corporation or any subsidiary of the Corporation of any shares of stock that are not shares of stock generally entitled to vote); or (iv) any transaction involving the Corporation or a subsidiary of the Corporation which has the effect of increasing the proportionate share beneficially owned by an Interested Person of the stock of any class or series or the voting stock, or the securities exercisable or exchangeable for or convertible into the stock of any class or series or the voting stock, of the Corporation or any subsidiary thereof (other than solely by reason of (a) transactions excluded from Business Combinations under clause (iii)(a) through (f) above, or (b) as a result of immaterial changes due to fractional share adjustments or as a result of purchase or redemption of stock not caused by the Interested Person or any of its affiliates or associates). A Business Combination shall be deemed to be a "Business Combination with an Interested Person" if, in the case of a Business Combination described in clause (i) or (ii) of this subparagraph, it is a transaction with an Interested Person or any of its affiliates or associates or a transaction with another person which is caused by an Interested Person or any of its affiliates or associates or if it is a transaction described in clause (iii) or (iv) of this subparagraph.

A person shall be deemed to be the "beneficial owner" of shares of stock of the Corporation (i) which that person or any of its affiliates and associates beneficially own, directly or indirectly, whether of record or not; (ii) which that person or any of its affiliates or associates has the right to acquire pursuant to any agreement, upon the exercise of conversion rights, warrants or options, or otherwise; (iii) which that person or any of its affiliates or associates has the right to sell or vote pursuant to any agreement; or (iv) which are beneficially owned, directly or indirectly, by any other person with whom such person or any of its affiliates or associates has any agreement, arrangement or understanding for the purposes of acquiring, holding, voting or disposing of securities of the Corporation.

A "Continuing Director" means any member of the Board of Directors of the Corporation, while such person is a member of the Board of Directors, who was (a) a member of (or nominated to be a member of) the Board of Directors on April 1, 1993 or (b) was a member of the Board of Directors prior to the time that the Interested Person became an Interested Person, and any successor of a Continuing Director while such successor is a member of the Board of Directors, who is recommended or elected to succeed the Continuing Director by a majority of Continuing Directors.

A director of the Corporation shall be a "Disinterested Director" with respect to an Interested Person if such director is a person who (i) is not and never has been an officer or director of such Interested Person or of any affiliate or associate of such Interested Person and is not and has not been for the past five years an employee of such Interested Person or of any affiliate or associate of such Interested Person; (ii) does not beneficially own, directly or indirectly, as much or more than the lesser of 1 percent or 10,000 shares of any class of equity securities of such Interested Person or of any affiliate or associate of such Interested Person; (iii) is not the settlor of any trust, and does not serve as the trustee, executor or in a similar capacity for any trust or estate, which beneficially owns, directly or indirectly, as much or more than the lesser of 1 percent or 10,000 shares of any class of equity securities of such Interested Person or of any affiliate or associate of such Interested Person; (iv) has not and does not provide services, and is not a partner, officer or stockholder of any firm or business which provides or has provided services, for such Interested Person or for any affiliate or associate of such Interested Person, for which compensation was received in an aggregate amount greater than $10,000 in any of the past three years; (v) does not have the same residence as any person who could not be a Disinterested Director because of any of the provisions of clauses (i), (ii), (iii) or (iv) above; (vi) is not the spouse, brother, sister, son, daughter, father or mother of any person who could not be a Disinterested Director because of any of the provisions of clauses (i), (ii), (iii) or (iv) above; and (vii) is not otherwise by reason of past, present or anticipated circumstances unable to act solely in the interests of the Corporation with respect to the Business Combination, provided that no director, officer or employee of the Corporation shall be disqualified from being a Disinterested Director solely by reason of being a director, officer or employee of the Corporation.

An "Interested Person" is any person who, as of the record date for the determination of stockholders entitled to notice of a proposed Business Combination and to vote thereon or consent thereto, or as of the date of any such vote or consent, or immediately prior to the consummation of the Business Combination, beneficially owns, directly or indirectly, 5 percent or more of the outstanding shares of stock generally entitled to vote.

A "person" is any individual, corporation or other entity.

A "subsidiary" of the Corporation is any corporation 50 percent or more of the voting securities of which are beneficially owned, directly or indirectly, by the Corporation.

Wherever used in this Certificate of Incorporation, "shares of stock generally entitled to vote" shall mean the total number of outstanding shares of stock of the Corporation that are generally entitled to vote in elections of directors, and unless, otherwise expressly provided in this Certificate of Incorporation, does not include shares of stock of the Corporation not entitled to vote only under special circumstances, such as, for example, Preferred Stock entitled to special director or other voting rights upon the occurrence of defaults or other events or circumstances. Solely for the purpose of determining whether, pursuant to this ARTICLE FIFTH, a person is the beneficial owner of 5 percent or more of the outstanding shares of stock generally entitled to vote, the outstanding stock of the Corporation shall be deemed to include shares that are not outstanding but are deemed owned by that person pursuant to the provisions of clause (ii) of the definition of "beneficial owner" but shall not include any other shares which are not outstanding. Treasury shares shall not for any purpose be considered outstanding stock of the Corporation.

B. REQUIREMENTS

In addition to any approval of the Board of Directors or stockholders, and satisfaction of any other conditions, required by the laws of the State of Delaware or any other provision of this Certificate of Incorporation in effect at the time of the adoption or authorization of a Business Combination, it shall be required for the adoption or authorization of a Business Combination with an Interested Person that the conditions set forth in each of the following paragraphs 1, 2 and 3 be fulfilled:

1. Disinterested Directors. The Business Combination shall have been approved by a majority of directors who are Continuing Directors and are, with respect to such Interested Person, Disinterested Directors; and

2. Proxy Statement. A proxy statement in accordance with the requirements of the Securities Exchange Act of 1934, as amended shall be mailed to the stockholders of the Corporation for the purpose of soliciting stockholder approval of the Business Combination; and

3. Stockholder Vote. The Business Combination shall be approved by the affirmative vote of the holders of at least 66 2/3 percent of those of the outstanding shares of stock generally entitled to vote which are not beneficially owned by such Interested Person.

A Business Combination that is not subject to the provisions of this ARTICLE FIFTH, or is not with an Interested Person, shall be governed by the other relevant provisions of this Certificate of Incorporation and the laws of the State of Delaware in effect at the time of that Business Combination.

A Business Combination with an Interested Person which was an Interested Person on April 1, 1993 may, at the sole and absolute discretion of the Board of Directors, be exempted from the provisions of this ARTICLE FIFTH if all of the members of the Board of Directors (and not only those present at a meeting) shall approve in writing such Business Combination. A Business Combination with any other Interested Person may, at the sole and absolute discretion of the Board of Directors, be exempted from the provisions of this ARTICLE FIFTH if all of the members of the Board of Directors (and not only those present at a meeting) shall approve in writing such Business Combination at a time prior to the time such Interested Person became an Interested Person.

SIXTH: The business and affairs of the Corporation shall be managed by or under the direction of a Board of Directors consisting of not more than nine directors, the exact number of members to be fixed from time to time by resolution of the Board of Directors, except as may be provided by the resolution or resolutions adopted by the Board of Directors in respect of Preferred Stock adopted pursuant to ARTICLE FOURTH hereto.

A. CLASSIFIED DIRECTORS

The directors (subject to the last paragraph of this Article Sixth) shall be divided into three classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one-third of the total number of directors constituting the entire Board of Directors. Each director shall serve for a term ending on the date of the third annual meeting of stockholders next following the annual meeting at which such director was elected, provided that directors initially designated as Class I directors shall serve for a term ending on the date of the 1996 annual meeting, directors initially designated as Class II directors shall serve for a term ending on the 1995 annual meeting, and directors initially designated as Class III directors shall serve for a term ending on the date of the 1994 annual meeting. Notwithstanding the foregoing, each director shall hold office until such director's successor shall have been duly elected and qualified or until such director's earlier death, resignation or removal. In the event of any change in the number of directors, the Board of Directors shall apportion any newly created directorships among, or reduce the number of directorships in, such class or classes as shall equalize, as nearly as possible, the number of directors in each class. In no event will a decrease in the number of directors shorten the term of any incumbent director. The names and mailing addresses of the persons who are to serve initially as directors of each Class are:

Class I

M. Farooq Kathwari
John K. Castle
Horace G. McDonnell

Class II

Clinton A. Clark
Kristin Gamble
Edward H. Meyer

Class III

David H. Chow
Keith Sanders
William W. Sprague

B. DIRECTORS

1. No Written Ballot. Election of directors need not be by written ballot unless the bylaws of the Corporation so provide.

2. Vacancies. Vacancies on the Board of Directors resulting from death, resignation, removal or otherwise and newly created directorships resulting from any increase in the number of directors may be filled solely by a majority of the directors then in office (although less than a quorum) or by the sole remaining director, and each director so elected shall hold office for a term that shall coincide with the term of the Class to which such director shall have been elected.

3. Removal. No director may be removed from office by the stockholders except for cause with the affirmative vote of the holders of not less than a majority of the outstanding shares of stock generally entitled to vote.

4. Preferred Stock Directors. Notwithstanding the foregoing, whenever the holders of one or more classes or series of Preferred Stock shall have the right, voting separately as a class or series, to elect directors, the election, term of office, filling of vacancies, removal and other features of such directorships shall be governed by the terms of the resolution or resolutions adopted by the Board of Directors pursuant to ARTICLE FOURTH applicable thereto, and each director so elected shall not be subject to the provisions of this ARTICLE SIXTH unless otherwise provided therein.

SEVENTH: Subject to Article Thirteenth, The Board of Directors shall have the power to adopt, amend or repeal the By-laws of the Corporation.

EIGHTH: Any action required or permitted to be taken at any annual or special meeting of stockholders may be taken only upon the vote of stockholders at an annual or special meeting duly noticed and called in accordance with the Delaware Law, as amended from time to time, and may not be taken by written consent of stockholders without a meeting, except with regard to election, removed and filling of vacancies of directors by holders of Preferred Stock, voting separately, as and if so provided by the terms of the resolution or resolutions adopted by the Board of Directors pursuant to Article Fourth applicable thereto. At all meetings of stockholders, each stockholder shall be entitled to vote, in person or by proxy, the shares owned by such stockholders of record on the record date for the meeting. When a quorum is present or represented at any meeting, the vote of the holders of a majority of those of the outstanding shares of stock generally entitled to vote and represented, in person or proxy, at the meeting on any matter, question or proposal properly brought before such meeting shall decide such question, unless the question is one upon which, by express provision of law, this Certificate of Incorporation or the By-Laws, a different vote is required, in which case such express provision shall govern and control the decision of such question.

NINTH: Meetings of the stockholders shall only be called by the Secretary of the Corporation upon written request signed by either (a) stockholders holding at least 20% of those of the outstanding shares of stock generally entitled to vote or (b) by a majority of the Board of Directors, or (c) the Chairman of the Board of Directors, or (d) the President of the Corporation, and may not be called by any other person. Notwithstanding the foregoing, whenever holders of one or more classes or series of Preferred Stock shall have the right, voting separately as a class or series, to elect directors, such holders may call, pursuant to the terms of the resolution or resolutions adopted by the Board of Directors pursuant to ARTICLE FOURTH hereto, special meetings of holders of such Preferred Stock. Any call for a special meeting of the stockholders must specify the matters to be acted upon at such meeting; only those matters set forth in such notice may be considered or acted upon at the meeting, unless otherwise provided by law.

TENTH:

1. Limits on Director Liability. A director of the Corporation shall not be personally liable to the Corporation or any of its stockholders for monetary damages for breach of fiduciary duty as a director to the fullest extent now or hereafter permitted by Delaware Law.

2. Indemnification. Each person (and the heirs, executors or administrators of such person) who was or is a party or is threatened to be made a party to, or is involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, shall be indemnified and held harmless by the Corporation to the fullest extent now or hereafter permitted by Delaware Law. The right to indemnification and the right to the advancement to expenses by the Corporation conferred in this ARTICLE TENTH shall also include the right to be paid by the Corporation the expenses incurred in connection with any such proceeding in advance of its final disposition to the fullest extent now or hereafter authorized by Delaware Law. The rights to indemnification and to advancement of expenses conferred in this ARTICLE TENTH shall be contract rights.

3. Additional Indemnification. The Corporation may, by action of its Board of Directors, provide indemnification to such of the directors, officers, employees and agents of the Corporation to such extent and to such effect as the Board of Directors shall determine to be appropriate and authorized by Delaware Law.

4. Insurance. The Corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss incurred by such person in any such capacity or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under Delaware Law.

5. Other Rights. The rights and authority conferred in this ARTICLE TENTH shall not be exclusive of any other right which any person may otherwise have or hereafter acquire.

6. Effect of Amendments. Neither the amendment, change, alteration nor repeal of this ARTICLE TENTH, nor the adoption of any provision of this Certificate of Incorporation or the by-laws of the Corporation, nor, to the fullest extent permitted by Delaware Law, any modification of law, shall eliminate or reduce the effect of this ARTICLE TENTH or the rights or any protections afforded under this ARTICLE TENTH in respect of any acts or omissions occurring prior to such amendment, repeal, adoption or modification.

ELEVENTH: In addition to any other considerations which the Board of Directors may lawfully take into account, in determining whether to take or to refrain from taking corporate action on any matter, including any Business Combination or proposing any matter to the stockholders of the Corporation, the Board of Directors may take into account the long-term as well as short-term interests of the Corporation and its stockholders (including the possibility that these interests may be best served by the continued independence of the Corporation), dealers, customers, managers, employees, suppliers and other constituencies of the Corporation and its subsidiaries, including the effect upon communities in which the Corporation and its subsidiaries do business.

TWELFTH: The Corporation will be subject to Section 203 of the Delaware Law.

THIRTEENTH: The Corporation reserves the right to amend this Certificate of Incorporation in any manner permitted by the Delaware Law and all rights and powers conferred upon stockholders, directors and officers herein are granted subject to this reservation. Notwithstanding the foregoing, the provisions set forth in ARTICLES FIFTH, SIXTH, TENTH, ELEVENTH and TWELFTH and this ARTICLE THIRTEENTH of this Certificate of Incorporation, and Articles II, III and V of the By-Laws of the Corporation, may not be repealed or amended in any respect, and no other provision may be adopted, amended or repealed which would have the effect of modifying or permitting the circumvention of the provisions set forth in ARTICLES FIFTH, SIXTH, TENTH, ELEVENTH and TWELFTH and this ARTICLE THIRTEENTH of this Certificate of Incorporation, and Articles II, III and V of the By-Laws of the Corporation, unless such action is approved by the affirmative vote of the holders of not less than 66 2/3 percent of those of the outstanding shares of stock, generally entitled to vote (and, in the case of any such repeal or amendment of or in respect of ARTICLE FIFTH proposed by or on behalf of any Interested Person in respect of any Business Combination with or involving such Interested Person, of not less than 66 2/3 percent of those of the outstanding shares of stock generally entitled to vote, excluding any shares beneficially owned by such Interested Person).

IN WITNESS WHEREOF, said Ethan Allen Interiors Inc. has caused this certificate to be signed by M. Farooq Kathwari, its Chairman of the Board of Directors, President and Chief Executive Officer and attested by Sharon Blinkoff, its Secretary, this 23rd day of March, 1993.

By: /s/ M. Farooq Kathwari_____
M. Farooq Kathwari, Chairman
of the Board of Directors,
President and Chief Executive Officer

ATTEST:

By: /s/ Sharon Blinkoff_____
Sharon Blinkoff, Secretary

CERTIFICATE OF AMENDMENT
OF THE
RESTATED CERTIFICATE OF INCORPORATION
OF
ETHAN ALLEN INTERIORS INC.

The undersigned, being the President and Chief Executive Officer and Secretary, respectively, of Ethan Allen Interiors Inc., a Delaware corporation (the "Company"), pursuant to Section 242 of the General Corporation Law of the State of Delaware (the "GCL"), do hereby certify as follows:

1. At a duly called meeting of the board of directors of the Company, the board adopted resolutions to amend the Company's Restated Certificate of Incorporation (the "Amending Resolutions"), declared said Amending Resolutions to be advisable, and directed that the Amending Resolutions be considered et the Company's Annual of Stockholders held on November 17, 1994 (the "Annual Meeting");

2. At the Annual Meeting, called and held upon notice in accordance with Section 222 of the GM, the requisite number of shares of the Company's common stock, par value $.01 per share, voted in favor of the Amending Resolutions; and

3. The Amending Resolutions were duly adopted in accordance with Section 242 of the GCL.

NOW, THEREFORE, to effect the Amending Resolutions, the first paragraph of Article FOURTH of the Company's Restated Certificate of Incorporation shall be deleted in its entirety and replaced as follows:

"FOURTH. The total number of shares of capital stock which the Corporation shall have authority to issue is 36,655,000 shares, consisting of 35,000,000 shares of Common Stock, par value $.01 per share (the "Common Stock"), 600,000 shares of Class B Common stock, par value $.01 per share (the "Class B Common Stock"), and 1,055,000 shares of Preferred Stock, par value $0.01 per share (the "Preferred Stock").

Except as specifically set forth herein, the remaining paragraphs of Article FOURTH of the Company's Restated Certificate of Incorporation shall not be amended, modified or otherwise altered.

IN WITNESS WHEREOF, the Company, has caused this Certificate of Amendment of the Restated Certificate of Incorporation to be signed by M. Farooq Kathwari, its President and Chief Executive Officer, and attested by Roxanne Khazarian, its Secretary, this 14th day of March 1995.

ETHAN ALLEN INTERIORS INC.

By: _____/s/ M. Farooq Kathwari_____
Name: M. Farooq Kathwari
Title: President and Chief Executive Officer

ATTEST:

By: __/s/ Roxanne Khazarian_____
Name: Roxanne Khazarian
Title: Secretary

SECOND
CERTIFICATE OF AMENDMENT
OF THE
RESTATED CERTIFICATE OF INCORPORATION
OF
ETHAN ALLEN INTERIORS INC.

The undersigned, being the President and Chief Executive Officer and Secretary, respectively, of Ethan Allen Interiors Inc., a Delaware corporation (the "Company"), pursuant to Section 242 of the General Corporation Law of the State of Delaware (the "GCL"), do hereby certify as follows:

1. At a duly called meeting of the board of directors of the Company, the board adopted resolutions to amend the Company's Restated Certificate of Incorporation (the "Amending Resolutions"), declared said Amending Resolutions to be advisable, and directed that the Amending Resolutions be considered at the Company's Annual Meeting of Stockholders held on November 18, 1997 (the "Annual Meeting");

2. At the Annual Meeting, called and held upon notice in accordance with Section 222 of the GCL, the requisite number of shares of the Company's common stock, par value $.01 per share, voted in favor of the Amending Resolutions; and

3. The Amending Resolutions were duly adopted in accordance with Section 242 of the GCL.

NOW, THEREFORE, to effect the Amending Resolutions, the first paragraph of Article FOURTH of the Company's Amended and Restated Certificate of Incorporation shall be deleted in its entirety and replaced as follows:

> "FOURTH. The total number of shares of capital stock which the Corporation shall have authority to issue is 71,655,000 shares, consisting of 70,000,000 shares of Common Stock, par value $.01 per share (the "Common Stock"), 600,000 shares of Class B Common Stock, par value $.01 per share (the "Class B Common Stock"), and 1,055,000 shares of Preferred Stock, par value $0.01 per share (the "Preferred Stock").

Except as specifically set forth herein, the remaining paragraphs of Article FOURTH of the Company's Restated Certificate of Incorporation shall not be amended, modified or otherwise altered.

IN WITNESS WHEREOF, the Company has caused this Certificate of Amendment of the Restated Certificate of Incorporation to be signed by M. Farooq Kathwari, its President and Chief Executive Officer, and attested by Roxanne Khazarian, its Secretary, this 17TH day of March, 1998.

ETHAN ALLEN INTERIORS INC.

By: ____M. Farooq Kathwari_____
Name: M. Farooq Kathwari
Title: President and Chief Executive Officer

ATTEST:
By: __/s/ Roxanne Khazarian_____
Name: Roxanne Khazarian
Title: Secretary

THIRD
CERTIFICATE OF AMENDMENT
OF THE
RESTATED CERTIFICATE OF INCORPORATION
OF
ETHAN ALLEN INTERIORS INC.

The undersigned, being the President and Chief Executive Officer and Secretary, respectively, of Ethan Allen interiors Inc., a Delaware corporation (the "Company"), pursuant to Section 242 of the General Corporation Law of the State of Delaware (the ”GCL.), do hereby certify as follows:

1, At a duly called meeting of the board of directors of the Company, the board adopted resolutions to amend the Company's Restated Certificate of Incorporation (the "Amending Resolutions"), declared said Amending Resolutions to be advisable, and directed that the Amending Resolutions be considered at the Company's Annual Meeting of Stockholders held on November 16, 1998 (the "Annual Meeting");

2. At the Annual Meeting, called and held upon notice in accordance with Section 222 of the GCL, the requisite number of shares of the Company's common stock, par value $.01 per share, voted in favor of the Amending Resolutions; and

3. The Amending Resolutions were duly adopted in accordance with Section 242 of the GCL.

NOW, THEREFORE to effect the Amending Resolutions, the first paragraph of Article FOURTH of the Company's Second Certificate of Amendment of the Restated Certificate of Incorporation shall be deleted in its entirety and replaced as follows:

"FOURTH, The total number of shares of capital stock which the Corporation shall have authority to issue is 151,655,000 shares, consisting of 150,000.000 shares of Common Stock, par value 4.01 per share (the "Common Stock"), 600,000 shares of Class B Common Stock, par value $.01 per share (the "Class B Common Stock"), and 1.055,000 shares of Preferred Stock, par value $0.01 per share (the "Preferred Stock").

Except as specifically set forth herein, the remaining paragraphs of Article FOURTH of the Company's Restated Certificate of Incorporation shall not be amended, modified or otherwise altered.

IN WITNESS WHEREOF, the Company has caused this Certificate of Amendment of the Restated Certificate of Incorporation to be signed by M. Farooq Kathwari, its President and Chief Executive Officer, and attested by Roxanne Khazarian, its Secretary, this 26th day of April 1999.

ETHAN ALLEN INTERIORS INC.

By: ____M. Farooq Kathwari_____
Name: M. Farooq Kathwari
Title: President and Chief Executive Officer

ATTEST:

By: __/s/ Roxanne Khazarian_____
Name: Roxanne Khazarian
Title: Secretary

FOURTH
CERTIFICATE OF AMENDMENT
OF THE
RESTATED CERTIFICATE OF INCORPORATION
OF
ETHAN ALLEN INTERIORS INC.

The undersigned, being the Chairman, President and Chief Executive Officer of Ethan Allen Interiors Inc. (the "Corporation"), pursuant to Section 242 of the General Corporation Law of the State of Delaware, do hereby certify that:

FIRST: The Board of Directors of the Corporation has duly adopted, subject to approval by the Corporation's stockholders, resolutions to further amend Article SIXTH of the Restated Certificate of Incorporation of the Corporation to declassify the Board of Directors, remove the class designations for each of the director's terms and institute annual voting for all directors, who will serve a one year term (the "Declassification Amendment"). The Board of Directors of the Corporation duly adopted the Declassification Amendment on October 15, 2013 and submitted it to the Corporation's stockholders for consideration at the Corporation's Annual Meeting of Stockholders held on December 4, 2013 (the "2013 Annual Meeting"). The resolution setting forth the Declassification Amendment is a follows:

RESOLVED, that the Amended and Restated Certificate of Incorporation of the Corporation shall be further amended by deleting the current Article SIXTH thereof in its entirety and substituting in lieu thereof the following:

"SIXTH:

1. *Directors.* The business and affairs of the Corporation shall be managed by or under the direction of a Board of Directors consisting of not more than nine directors, the exact number of members to be fixed from time to time by resolution of the Board of Directors, except as may be provided by the resolution or resolutions adopted by the Board of Directors in respect of Preferred Stock adopted pursuant to Article FOURTH hereof. Beginning with the first annual meeting of stockholders held after the date of this amendment, the entire Board of Directors shall be elected annually at each annual meeting of stockholders for a one year term expiring at the next succeeding annual meeting of stockholders. The directors shall hold office until their respective successors are elected and shall qualify, subject, however, to prior death, resignation or removal from office.

2. *No Written Ballot.* Election of directors need not be by written ballot unless the bylaws of the Corporation so provide.

3. *Vacancies.* Vacancies on the Board of Directors resulting from death, resignation, removal or otherwise and newly created directorships resulting from any increase in the number of directors may be filled solely by a majority of the directors then in office, even if less than a quorum, or by the sole remaining director.

4. *Removal.* No director may be removed from office by the stockholders except for cause with the affirmative vote of the holders of not less than a majority of the outstanding shares of stock generally entitled to vote.

5. *Preferred Stock Directors.* Notwithstanding the foregoing, whenever the holders of one or more classes or series of Preferred Stock shall have the right, voting separately as a class or series, to elect directors, the election, term of office, filling of vacancies, removal and other features of such directorships shall be governed by the terms of the resolution or resolutions adopted by the Board of Directors pursuant to ARTICLE FOURTH applicable thereto, and each director so elected shall not be subject to the provisions of this ARTICLE SIXTH unless otherwise provided therein."

SECOND: At the 2013 Annual Meeting, duly called and held upon notice in accordance with Section 222 of the General Corporation Law of the State of Delaware, at least the requisite number of shares required to vote in favor of adoption in order to adopt the Declassification Amendment were voted in favor of adoption of the Declassification Amendment.

THIRD: The Declassification Amendment has been duly adopted in accordance with Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the Corporation has caused this Fourth Certificate of Amendment of the Restated Certificate of Incorporation to be signed this __5__ day of December, 2013.

By: /s/ M. Farooq Kathwari
Name: M. Farooq Kathwari
Title: Chairman, President and Chief Executive Office

ATTEST:

/s/ Eric D. Koster
Eric D. Koster, Secretary

ETHAN ALLEN INTERIORS INC.

CERTIFICATE OF DESIGNATION, PREFERENCES
AND RELATIVE, PARTICIPATING, OPTIONAL AND
OTHER SPECIAL RIGHTS OF PREFERRED STOCK
AND QUALIFICATIONS, LIMITATIONS AND
RESTRICTIONS THEREOF

Pursuant to section 151 of the
General Corporation Law of
the State of Delaware

ETHAN ALLEN INTERIORS INC. (the "Company"), a corporation organized and existing under the General Corporation Law of the State of Delaware, hereby certifies that pursuant to the provisions of Section 151 of the General Corporation Law of the State of Delaware, its Board of Directors on March 9, 1993 adopted the following resolution, which resolution remains in full force and effect as of the date hereof:

WHEREAS, the Board of Directors of the Company is authorized, within the limitations and restrictions stated in the Certificate of Incorporation, to fix by resolution or resolutions the designation of each series of Preferred Stock (the "Preferred Stock") and the voting powers, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof; and

WHEREAS, it is the desire of the Board of Directors of the Company, pursuant to its authority as aforesaid, to authorize and fix the terms of a series of preferred stock to be designated the Convertible Preferred Stock of the Company and the number of shares constituting such series;

NOW, THEREFORE. BE IT RESOLVED, that there is hereby authorized such series of Preferred Stock on the terms and with the provisions herein set forth:

TERMS, PREFERENCES, RIGHTS AND LIMITATIONS

of

6½% Series A Convertible Exchangeable Preferred Stock

of

ETHAN ALLEN INTERIORS INC.

The relative rights, preferences, powers, qualifications, limitations and restrictions granted to or imposed upon the Convertible Preferred Stock or the holders thereof are as follows:

1. Definitions. For purposes of this Designation, the following definitions shall apply:

"Board" shall mean the Board of Directors of the Company.

"Business Day" shall mean any day on which trading activity is conducted by The New York Stock Exchange Inc.

"Common Stock" shall mean the Common Stock, par value $.01 per share, of the Company.

"Credit Agreement" means the Credit Agreement, dated as of March 16, 1993, among Company, Ethan Allen, Bankers Trust Company, as Agent, and lenders which are now or may hereafter become parties thereto, and any guaranty agreements and related security documents, in each case as such agreements may be amended, restated, supplemented or otherwise modified from time to time.

"Ethan Allen" shall mean Ethan Allen Inc., a wholly-owned subsidiary of the Company.

"Index Rate" shall mean the greater of (i) the highest prime or base rate of interest publicly announced by any of Citibank, N.A., Chemical Bank, Morgan Guaranty Trust Company of New York and The Chase Manhattan Bank, N.A. (whether or not such rate is actually charged by any such bank), and (ii) the most recent published annual yield on 90 day commercial paper (or the average of such yields if more than one is published) placed by dealers, as quoted either in the Federal Reserve Rate Report which customarily appears in the Friday issue of the Wall Street Journal (Eastern Edition) under "Money Rates".

"Original Issue Date" shall mean the date of the original issuance of 30,000 shares of Series A Preferred Stock.

"Redemption Date" shall mean the date or dates on which any shares of Series A Preferred Stock are redeemed by the Company (other than a redemption pursuant to paragraph 5 (b) hereof).

"Series A Preferred Stock" shall refer to shares of 6½% Series A Convertible Exchangeable Preferred Stock, par value $.01 per share, of the Company.

"Trading Day" shall mean a day on which the New York Stock Exchange is open for the transaction of business.

2. Designation: Number of Shares. (a) The designation of the Preferred Stock authorized by this resolution shall be "Series A Preferred Stock" and the number of shares of Series A Preferred Stock authorized hereby shall be 30,000 shares.

(b) Notwithstanding anything herein to the contrary, subject to the provisions of this subparagraph (b), during the period in which any shares of Series A Preferred Stock are outstanding, the number of directors of the Company shall (in addition to any other permitted changes in the size and composition of the Board of Directors) be increased by two and the holders of the Series A Preferred Stock, voting separately as a class, shall have the exclusive right to elect two such additional directors. In the event that the holders of the Series A Preferred Stock (i) own, either beneficially or of record, Series A Preferred Stock and Common Stock having an aggregate value of either less than $38,000, 000 (valuing each share of the Series A Preferred Stock at $1,000 and each share of the Common Stock at $18 per share) or (ii) own, either beneficially or of record, Common Stock having an aggregate value of less than $17,000,000 (valuing each share of Common Stock at $18 per share) then, upon the occurrence of the first of such conditions to occur, the number of directors of the Company, elected by the holders of the series A Preferred Stock, shall (in addition to any other permitted changes in the size and composition of the Board of Directors) be decreased by one. If one of the directors does not resign or is not removed by the holders of the Series A Preferred Stock, then the term of office of both directors shall be deemed to terminate and the holders of the Series A Preferred Stock shall thereupon have the right to elect one director pursuant to this subparagraph 2(b). If at any time after such reduction to one director, the holders of the Series A Preferred Stock own, either beneficially or of record, Series A Preferred Stock and Common Stock having an aggregate value of less than $15,000,000 (valuing the Series A Preferred Stock at $1,000 and each share of the Common Stock at $18 per share), 180 days after the occurrence of such event, the number of directors of the Company shall be decreased by one (in addition to the reduction by one provided for previously in this subparagraph 2(b)), and the holders of Series A Preferred Stock right to elect directors pursuant to this subparagraph 2(b) shall thereupon terminate.

(c) At any meeting held for the purpose of electing directors at which the holders of Series A Preferred Stock shall have the right, voting separately as a class, to elect directors as aforesaid, the presence in person or by proxy of the holders of at least thirty- three and one- third percent (33-1/3%) of the outstanding shares of Series A Preferred Stock which exist on such date shall be required to constitute a quorum of such Series A Preferred Stock.

(d) Any vacancy occurring in the office of a director elected by the holders of Series A Preferred Stock shall be filled by the holders of Series A Preferred Stock. Unless otherwise required to resign the term of office of the directors elected by the holders of Series A Preferred Stock shall terminate upon the election of their successors at any meeting of stockholders held for the purpose of electing directors.

3. Dividends.

(a) So long as any shares of Series A Preferred Stock shall be outstanding, the holders of such Series A Preferred Stock shall be entitled to receive out of any funds legally available therefor, when, as and if declared by the Board of Directors, cumulative preferential dividends in cash, in the amount of $65 a year per share, accruing from March 23, 1993, payable quarterly in arrears on the first business day of each January, April, July and October (each such date being called a "Dividend Payment Date"). In the event that sufficient funds for any such dividend shall not at any time be otherwise legally available, the Company shall use its best efforts to cause such availability to come into existence. If dividends are not paid in full, or declared in full and sums set apart for the payment thereof, upon the shares of the Series A Preferred Stock, all dividends declared upon shares of the Series A Preferred Stock shall be paid or declared pro rata with all other shares of Preferred Stock ranking on a parity. Dividends on the Series A Preferred Stock shall be cumulative from the Original Issue Date (whether or not declared and whether or not in any dividend period or dividend periods there shall be net profits or surplus of the Company legally available for the payment of those dividends). If the Company shall fail to pay any quarterly dividend (or portion thereof) on any Dividend Payment Date, such unpaid quarterly dividend shall accrue and, during the period in which holders of Series A Preferred Stock own, in the aggregate, 15,000 or more shares of Series A Preferred Stock, the holders of Series A Preferred Stock shall be entitled to receive additional cumulative preferential dividends in the amount equal to the product of (i) the unpaid dividend amount in arrears and (ii) 6 ½% per annum for the period from the Dividend Payment Date to the date of payment. The term "arrears" or "arrearage," " whenever used herein with reference to dividends on shares of the Series A Preferred Stock, shall be deemed to mean that dividends thereon be equal to the amount of $65 a year per share, accruing from March 23, 1993 except to the extent paid, to the end of the then current quarterly dividend period for the Series A Preferred Stock (or, in the case of redemption, to the date of redemption), less the amount of all dividends paid, or declared in full and sums set aside for the payment thereof, upon such shares of Series A Preferred Stock. The first Dividend Payment Date will be July 1, 1993.

(b) So long as any shares of Series A Preferred Stock shall remain outstanding, the Company may not declare or pay any dividend, make a distribution on, or purchase, acquire, redeem, or pay monies to the holders of, or set aside or make monies available for a sinking fund for the purchase or redemption of, any shares of common Stock or any share of any other class or series of the Company's preferred stock ranking junior to the Series A Preferred Stock with respect to the payment of dividends or the distribution of assets on liquidation, dissolution or winding up of the Company unless (i) all dividends in respect of the Series A Preferred Stock for all past dividend periods have been paid and are not in arrears and such dividends for the current dividend period have been paid or declared and duly provided for, and (ii) all amounts in respect of the mandatory redemption of Series A Preferred Stock pursuant to the terms of paragraph 5(a) (i) below have been paid for all prior periods and all amounts in respect of such mandatory redemption for the current period have been paid or duly provided for; provided, however, that notwithstanding the foregoing, the Company may repurchase Common Stock from members of management or other employees or from dealers for an aggregate purchase price since the date of original issuance of the Common Stock not to exceed $5 million plus the amount of proceeds received upon resale to members of management and dealers of any such Common Stock.

(c) Dividends payable on the shares of the Series A Preferred Stock for any period less than a full quarterly dividend period shall be computed on the basis of a 360- day year of twelve 30-day months and the actual number of days elapsed in the period for which payable.

4. Liquidation Rights of Series A Preferred Stock.

(a) In the event of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the holders of Series A Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Company available for distribution to its stockholders, whether such assets are capital, surplus or earnings, before any payment or declaration and setting apart for payment of any amount shall be made in respect of any shares of Common Stock or any share of any other class or series of the Company's preferred stock ranking junior to the Series A Preferred Stock with respect to the payment of dividends or distribution of assets on liquidation, dissolution or winding up of the Company, an amount equal to $1,000 per share plus all accumulated and unpaid dividends (including a prorated quarterly dividend from the last Dividend Payment Date to the date of such payment) in respect of any liquidation, dissolution or winding up consummated.

(b) If upon any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the assets to be distributed among the holders of Series A Preferred Stock shall be insufficient to permit the payment to such stockholders of the full preferential amounts aforesaid, then the entire assets of the Company to be distributed shall be distributed ratably among the holders of Series A Preferred Stock, based on the full preferential amounts for the number of shares of Series A Preferred Stock held by each holder.

(c) A consolidation or merger of the Company with or into any other corporation or corporations in which the stockholders of the Company receive solely capital stock of the acquiring corporation (or of the direct or indirect parent corporation of the acquiring corporation), except for cash in lieu of fractional shares, shall not be deemed to be a liquidation, dissolution, or winding up of the Company as those terms are used in this paragraph 4.

5. Redemption of Series A Preferred Stock: Change in Control

(a) Redemption.

(i) The Company shall, at the redemption price equal to the sum of $1,000 per share plus all accumulated and unpaid dividends per share (including a prorated quarterly dividend from the last Dividend Payment Date to the Redemption Date) (the "Redemption Price"), and in the manner provided in subparagraphs 5(a) (iv) through 5(a) (vii), redeem from any source of funds legally available therefor, all shares of Series A Preferred Stock outstanding on such Redemption Date, on the tenth anniversary of the Original Issue Date (the "Mandatory Redemption Date"); provided, however, that if there are insufficient legally available funds for redemption under this subparagraph (a)(i), the Company shall redeem such lesser number of shares of Series A Preferred Stock, to the extent there are funds legally available therefor, and shall redeem all or part of the remainder of the shares of Series A Preferred Stock subject to redemption as soon as the Company has sufficient funds which are legally available therefor until all such shares of Series A Preferred Stock have been redeemed. If, on the Mandatory Redemption Date, there are 6,000 or more shares of Series A Preferred Stock outstanding, and the Company does not redeem all shares of Series A Preferred Stock outstanding on such date, the holders of the Series A Preferred Stock shall be entitled to receive additional cumulative preferential dividends in the amount equal to the product of (i) such unpaid Redemption Price and (ii) the Index Rate plus 2% per annum for the period from the Mandatory Redemption Date to the date of payment of the Redemption Price plus such additional dividends.

(ii) The Company shall, in the manner provided in subparagraphs 5(a) (iii) through 5(a) (vii), have the right to redeem Series A Preferred Stock, subject to subparagraph 5(a) (iii) hereof, at a price equal to $1,000 per share, plus any accumulated and unpaid dividends thereon.

(iii) Notwithstanding any provision herein to the contrary, the Company shall have the right to redeem only a portion of the Series A Preferred Stock which remains outstanding only if, after such partial redemption, there continues to be no less than 27,500 shares of Series A Preferred Stock. The Company shall have no rights to redeem a portion of the Series A Preferred Stock outstanding if such partial redemption would result in the holders of Series A Preferred Stock holding of record fewer than 27,500 shares of Series A Preferred Stock and, in such event, if the Company chooses to redeem any Series A Preferred Stock, it shall only have the right to redeem all outstanding shares of Series A Preferred Stock.

(iv) In the event of a redemption of only a portion of the then outstanding shares of Series A Preferred Stock, the Company shall effect such redemption pro rata according to the number of shares held by each holder of Series A Preferred Stock.

(v) At least twenty (20) days and not more than sixty (60) days prior to the date fixed for any redemption of the Series A Preferred Stock, written notice (the "Redemption Notice") shall be mailed, postage prepaid, to each holder of record of the Series A Preferred Stock at his post office address last shown on the records of the company. The Redemption Notice shall state:

(A) whether all or less than all the outstanding shares of Series A Preferred Stock are to be redeemed and the total number of shares of Series A Preferred Stock being redeemed;

(B) whether the Series A Preferred Stock is being redeemed pursuant to subparagraph 5(a) (i) or 5(a) (ii) and, if redeemed pursuant to subparagraph 5(a) (ii), a statement to the effect that the requirements to redeem the Series A Preferred Stock contained in subparagraph 5(a) (iii) have been met;

(C) the number of shares of Series A Preferred Stock held by the holder that the Company intends to redeem;

(D) the date fixed for redemption and the Redemption Price or Optional Redemption Price, as the case may be; and

(E) that the holder is to surrender to the Company, in the manner and at the place designated, his certificate or certificates representing the shares of Series A Preferred Stock to be redeemed.

(vi) On or before the date fixed for redemption, each holder of Series A Preferred Stock shall surrender the certificate or certificates representing such shares of Series A Preferred Stock to the Company, in the manner and at the place designated in the Redemption Notice, and thereupon the applicable redemption price for such shares shall be payable in cash on the Redemption Date to the person whose name appears on such certificate or certificates as the owner thereof, and each surrendered certificate shall be cancelled and retired. In the event that less than all of the shares represented by any such certificate are redeemed, a new certificate shall be issued representing the unredeemed shares.

(vii) Unless the Company defaults in the payment in full of the Redemption Price or the Optional Redemption Price, as the case may be, dividends on the Series A Preferred Stock called for redemption shall cease to accumulate on the Redemption Date, and all rights of the holders of such shares redeemed shall cease to have any further rights with respect thereto on the Redemption Date, other than to receive the Redemption Price or the Optional Redemption Price, as the case may be, without interest.

(b) Change of Control.

(i) Definition of a Change of Control. A "Change of Control" of the Company shall be deemed to have occurred if at any time (the "Change of Control Date"), (i) all or substantially all of the assets of the Company or Ethan Allen are sold as an entirety to any person or related group of persons, (ii) Ethan Allen is merged with or into another corporation other than the Company or another corporation, other than the Company, or a wholly- owned subsidiary of the Company is merged with or into Ethan Allen, in each case with the effect that immediately after such transaction the Company holds less than the entire interest of the total voting power entitled to vote in the election of directors, managers or trustees of the person surviving such transaction, (iii) any person or related group of persons other than the Company acquires any interest of the voting power or voting stock of Ethan Allen (other than as a result of a pledge by the Company of the shares of Common Stock, par value $.01 per share, of Ethan Allen), (iv) any person or related group of persons collectively acquires greater than 50% of the total voting power entitled to vote in the election of directors, managers or trustees of the Company or such other person surviving the transaction, (v) the persons constituting the Board of Directors of the Company on the date hereof or persons nominated or elected to the Board of Directors of the Company by a majority vote of such directors (the "Continuing Directors") or by a majority vote of the Continuing Directors shall not constitute a majority of the members of the Board of Directors of the Company or (vi) the Company does not own all of the capital stock of Ethan Allen.

(ii) Notice of Change of Control. Within five days after the Change of Control Date, the Company shall give notice (the "Change Notice") of the occurrence of the Change of Control and of the Change option set forth herein in accordance with the procedures set forth below to each holder of Series A Preferred Stock (a "Holder") .

Each Change Notice shall state:

(1) that a Change of Control has occurred (and shall specify the Change of Control Date); and

(2) that the Holder may exercise its redemption right set forth in paragraph 5(b) (iii) hereof.

The Change Notice shall be given by first class mail, postage prepaid, to the Holders at their respective addresses as the same shall appear on the books of the Company.

(iii) In the event that any Change in Control occurs, any holder of Series A Preferred Stock may require the Company to redeem, at a redemption price equal to the sum of $1,000 per share plus all accumulated and unpaid dividends per share (including a prorated quarterly dividend from the last Dividend Payment Date to the date of such Change in Control), all or any portion of such holder's shares of Series A Preferred Stock. The Company will give written notice of any impending Change in Control pursuant to subparagraph (b)(ii) hereof. Each such holder shall have fifteen (15) days (the "Notice Period") from the date of such notice to demand (by written notice mailed to the Company) redemption of all or any portion of the shares of Series A Preferred Stock owned by such holder. If, by the expiration of the Notice Period, any holders have so elected to demand redemption, the Company shall give prompt written notice of such election (stating the total number of shares so demanded to be redeemed) to each other holder of Series A Preferred Stock within five (5) days after the expiration of the Notice Period. Each such holder who has not therefore demanded redemption shall thereupon be afforded ten (10) days from the date of such notice to demand redemption of all or any portion of such holder's shares of Series A Preferred Stock by mailing written notice thereof to the Company. Promptly thereafter, the Company shall redeem all shares of Series A Preferred Stock as to which redemption rights under this subparagraph (b)(iii) have been exercised. If, at the time of any redemption pursuant to this subparagraph (b)(iii), the funds of the Company legally available for redemption of Series A Preferred Stock are insufficient to redeem the number of shares required to be redeemed, those funds which are legally available shall be used to redeem the maximum possible number of such shares, pro rata based upon the number of shares requested to be redeemed by the holders thereof. At any time thereafter when additional funds of the Company become legally available for the redemption of Series A Preferred Stock, such funds shall immediately be used to redeem the balance of the shares of Series A Preferred Stock which the Company has become obligated to redeem pursuant to this subparagraph, but which it has not redeemed. If a person other than the Company is the surviving or resulting corporation in any Change in Control, such person shall redeem such shares of Series A Preferred Stock as provided in this subparagraph (b) (iii) (and the Company shall so provide in its agreements with such person relating to such Change in Control). Redemptions made pursuant to this subparagraph (b)(iii) shall not relieve the Company of its obligation to redeem Series A Preferred Stock on the Redemption Date as specified in subparagraph (a) above. Notwithstanding any other provision of this subparagraph (b)(iii), in no event shall the Company be under any obligation to redeem shares of Series A Preferred Stock, and the Company shall not effect such redemption, unless prior to such proposed redemption the Company shall either (i) cause an offer to be made to all lenders under the Credit Agreement to terminate all commitments, and repay all outstandings, thereunder, and to so terminate such commitments and repay such outstandings of any lenders accepting such offer to (ii) obtain the requisite consents under the Credit Agreement to permit such redemption.

6. Voting Rights.

(a) From and after the Original Issue Date, during the period in which there are fewer than 27,500 shares of Series A Preferred Stock outstanding, if the Company shall be in arrears in the payment of any six quarterly dividends on the outstanding shares of Series A Preferred Stock or shall have failed to redeem shares of Series A Preferred Stock as and when required, the number of directors of the Company shall (in addition to any other permitted changes in the size and composition of the Board of Directors) be increased by one and the holders of Series A Preferred Stock, voting separately as a class together with the holders, if any, of the Series B Preferred Stock (as hereinafter defined), shall have the exclusive right to elect one such additional director in addition to the number to be elected by the holders of Common Stock or any other shares of preferred stock of the Company, at a special meeting of stockholders called for the election of directors pursuant to the procedures set forth below for the calling of a special meeting by holders of Series A Preferred Stock if such meeting is not called by the Board of Directors of the Company within twenty (20) days after such holders become entitled to such right to elect such director, and at every subsequent meeting at which the terms of office of such director so elected by the holders of Series A Preferred Stock expire, provided that such arrearage or failure exists on the date of such meeting or subsequent meetings, as the case may be. During the period in which there are 27,500 or more shares of Series A Preferred Stock outstanding, notwithstanding the foregoing provisions of this subparagraph 6(a), the number of directors of the Company shall (in addition to any other permitted changes in the size and composition of the Board of Directors) be increased by one and the holders of Series A Preferred Stock, voting separately as a class, shall have the exclusive right to elect one such additional director, in addition to any directors which they currently elect, in the manner set forth in the previous sentence upon the occurrence of any of the following: (i) the Company is in arrears in the payment of any two quarterly dividends on the Series A Preferred Stock (such event, a "Dividend Default"); (ii) the ratio of Total Debt (as such term is defined in the Credit Agreement) to Adjusted Net Worth (as such term is defined in the Credit Agreement) at any time during any fiscal period set forth below is greater than the ratio set forth opposite such period:

	Period		**Ratio**
1.	March 23, 1993 to December 31, 1993	1.	1.5 to 1.0
2.	January 1, 1994 to December 31, 1994	2.	1.45 to 1.0
3.	January 1, 1995 to December 31, 1995	3.	1.3 to 1.0
4.	January 1, 1996 to December 31, 1996	4.	1.15 to 1.0
5.	January 1, 1997 and thereafter	5.	1.1 to 1.0

(such event, a "Debt Default"); (iii) the Interest Coverage Ratio (as defined in the Credit Agreement) at the end of any period of four consecutive calendar quarters (or, if shorter, the period beginning on April 1, 1993 and ending on the last day of each calendar quarter thereafter), in each case taken as one accounting period, ended during a period set forth below is less than the ratio set forth opposite such period below:

Period	**Ratio**
March 23, 1993 to December 31, 1993	2.6 to 1.0
January 1, 1994 to December 31, 1994	2.6 to 1.0
January 1, 1995 and thereafter	2.8 to 1.0

(iv) the Company fails to make an interest or principal payment when due (including any applicable grace periods) pursuant to the terms of any Indebtedness (as defined in the Credit Agreement) (A) under which it is either the borrower or a guarantor and (B) which is secured by either its assets or the assets of any of its subsidiaries (such event, a "Payment Default"); (v) any event occurs or condition exists under any agreement or instrument relating to any debt of the Company and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate, or permit the acceleration of, the maturity of such debt, or any such debt is declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), prior to the stated maturity thereof (such event, an "Acceleration"); or (vi) any payment required by paragraph 12 hereof is not made when demand therefor is made (a "Tax Indemnity Default") and provided, further, that the number of directors of the Company shall (in addition to any other permitted changes in the size and composition of the Board of Directors) be further increased by one additional director, and the holders of Series A Preferred Stock, voting separately as a class, shall have the exclusive further right to elect one further additional director, in addition to the aforementioned additional director (resulting in a total increase in the number of directors pursuant to this paragraph 6(a) of two directors), in the manner set forth in the previous sentence, (x) upon the occurrence of an additional Dividend Default, Acceleration or Tax Indemnity Default with respect to any debt of the Company which has not previously resulted in the election of a director pursuant to this paragraph 6(a), or (y) if any Debt Default, Current Net Worth Default or Payment Default which has resulted in the election of such aforementioned director has not been cured within six (6) months from the occurrence of the event giving rise to such election right. A payment of quarterly dividends in arrears in any instance in which more than one quarterly dividend is in arrears shall be deemed to be a payment of the earliest of the quarterly dividend in arrears to have occurred. Notwithstanding the foregoing provisions of this subparagraph 6(a), the maximum number of directors that the holders of Series A Preferred Stock, voting separately as a class, under this subparagraph 6(a) and subparagraph 2(b), shall have the right to elect hereunder, is four.

(b) The right of the holders of Series A Preferred Stock voting separately as a class to elect members of the Board of Directors of the Company pursuant to subparagraph 6(a) shall continue until such time as (i) all dividends accumulated on the Series A Preferred Stock shall have been paid in full and provision has been made for the payment in full of the dividends for the current period and (ii) during the period in which any shares of Series A Preferred Stock is outstanding, all Debt Defaults, Net Worth Defaults, Payment Defaults, Accelerations and Tax Indemnity Defaults have been cured, at which time the special right of the holders of Series A Preferred Stock so to vote separately as a class for the election of directors pursuant to subparagraph 6(a) shall terminate, subject to revesting at such time as the Company shall again be subject to subparagraph 6(a). If the annual meeting of stockholders of the Company is not, for any reason, held within the time fixed in the by- laws of the Company at a time when the holders of Series A Preferred Stock, voting separately and as a class, shall be entitled to elect directors pursuant to subparagraph 6(a), or if vacancies shall exist in the offices of directors elected by the holders of Series A Preferred Stock pursuant to subparagraph 6(a), a proper officer of the Company, upon the written request of the holders of record of at least ten percent (10%) of the shares of Series A Preferred Stock then outstanding, addressed to the Secretary of the Company, shall call a special meeting in lieu of the annual meeting of stockholders, or in the event of vacancies, a special meeting of the holders of Series A Preferred Stock, for the purpose of electing directors. Any such meeting shall be held at the earliest practicable date at the place for the holding of the annual meetings of stockholders. If such meeting shall not be called by the proper officer of the Company within twenty (20) days after personal service of said written request upon the Secretary of the Company, or within twenty (20) days after mailing the same within the United States by certified mail, addressed to the Secretary of the Company at its principal executive offices, then the holders of record of at least ten percent (10%) of the outstanding shares of Series A Preferred Stock may designate in writing one of their number to call such meeting at the expense of the Company, and such meeting may be called by the person so designated upon the notice required for the annual meetings of stockholders of the Company and shall be held at the place for holding the annual meetings of stockholders. Any holder of Series A Preferred Stock so designated shall have access to the lists of stockholders to be called pursuant to the provisions hereof.

(c) At any meeting held for the purpose of electing directors at which the holders of Series AJ Preferred Stock shall have the right, voting separately as a class, to elect directors as aforesaid pursuant to subparagraph 6(a), the presence in person or by proxy of the holders of at least thirty-three and one-third percent (33-1/3%) of the outstanding Series A Preferred Stock shall be required to constitute a quorum of such Series A Preferred Stock.

(d) Any vacancy occurring in the office of a director elected by the holders of Series A Preferred Stock pursuant to subparagraph 6(a) shall be filled by the holders of Series A Preferred Stock. Any director to be elected by the holders of Series A Preferred Stock shall agree, prior to his election to office, to resign upon the request of the respective holders of the Series A Preferred Stock which have the right hereunder to elect such director in the event of any termination of the right of the holders of Series A Preferred Stock to vote as a class for directors as herein provided, and upon any such termination the directors then in office elected by the holders of Series A Preferred Stock shall forthwith resign. Unless otherwise required to resign as aforesaid, the term of office of the directors elected by the holders of Series A Preferred Stock shall terminate upon the election of their successors at any meeting of stockholders held for the purpose of electing directors.

(e) In any case in which the holders of Series A Preferred Stock shall be entitled to vote pursuant to this paragraph 6 or pursuant to law, each holder of Series A Preferred Stock shall be entitled to one vote for each share of Series A Preferred Stock held.

(f) (i) In addition to any other rights provided by applicable law, so long as any shares of the Series A Preferred Stock are outstanding, the Company shall not, without the affirmative vote, or the written consent as provided by law, of the holders of (A) at least a majority of the outstanding shares of the Series A Preferred Stock, voting separately, create, authorize or issue any class or series of capital stock ranking either as to payment of dividends or distribution of assets upon liquidation prior to the Series A Preferred Stock; or (B) at least two-thirds (2/3) of the outstanding shares of the Series A Preferred Stock, voting separately, change the preferences, rights or powers with respect to the Series A Preferred Stock so as to affect the Preferred Stock adversely; but (except as otherwise required by applicable law) nothing herein contained shall require such a vote or consent (i) in connection with any increase in the total number of authorized shares of the Common Stock, or (ii) in connection with the authorization or increase of any class or series of shares ranking, as to dividends and in liquidation, junior to or on a parity with the Series A Preferred Stock; provided, however, that no such vote or written consent of the holders of the shares of the Series A Preferred Stock shall be required if, at or prior to the time when the issuance of any such shares ranking prior to the Series A Preferred Stock is to be made or any such change is to take effect, as the case may be, provision is made for the redemption of all the then outstanding shares of the Series A Preferred Stock; and provided further, that this provision shall not in any way limit the right and power of the Company to issue its currently authorized but unissued shares or bonds, notes, mortgages, debentures, and other obligations, and to incur indebtedness to banks and to other lenders.

(ii) Notwithstanding the foregoing subparagraph (f)(i), so long as there are 3,000 or more shares of Series A Preferred Stock outstanding, the Company will not, without the affirmative vote at a meeting or the written consent with or without a meeting of the holders of at least a majority of the outstanding shares of Series A Preferred Stock, voting separately as a class, (1)(A) create, authorize or issue any class or series of capital stock ranking prior to or on a parity with the Series A Preferred Stock (other than Common Stock) either as to dividends or upon liquidation (provided, however, that the Company may issue capital stock ranking on a parity with the Series A Preferred Stock as to dividends or upon liquidation if and only if: all proceeds received by the Company from such offering of capital stock are used to redeem Series A Preferred Stock pursuant to paragraph 5(a) (ii) hereof) or to exchange any Series B Preferred Stock into the Company's 6- 1/2% Convertible Subordinated Debentures due March 15, 2003, (B) issue any debt securities that are convertible or exchangeable into any equity security of the Company (provided, however, that the Company may issue debt securities that are convertible or exchangeable into any equity security of the Company if and only if all proceeds received by the Company from such offering of debt securities are used to redeem Series A Preferred Stock pursuant to paragraph 5(a)(ii) hereof) or (C) transfer (other than pursuant to a pledge) any capital stock of Ethan Allen owned by the Company either beneficially or of record, or cause or permit Ethan Allen, as its sole stockholder, to issue any capital stock which is not owned beneficially and of record by the Company, (2) consolidate or merge with or into any other corporation (other than a merger of a wholly- owned subsidiary of the Company into the Company whereby the Company is the surviving corporation and in which no shares of Series A Preferred Stock are converted into or exchanged for any other securities or property and remain outstanding and unaffected), or liquidate, wind up or dissolve itself, or convey, sell, assign, transfer or otherwise dispose of, all or any substantial or material part of its assets, or (3) amend, alter or repeal any of the provisions of the Company's Certificate of Incorporation or By-Laws so as to affect adversely the preferences, rights or powers of the Series A Preferred Stock; provided, however, that, notwithstanding the foregoing, any amendment to the Company's Certificate of Incorporation or By- Laws which affects any of (C) the dividend rate set forth in paragraph 3 hereof or the date on which dividends are to be paid, (D) the conversion rate set forth in paragraph 7 hereof, (E) the Mandatory Redemption Date or Redemption Price, or (F) this subparagraph 6(f) (ii), in a manner adverse to the interests of holders of Series A Preferred Stock, shall only become effective upon the affirmative vote of all the outstanding shares of the Series A Preferred Stock.

7. Conversion. The holders of shares of the Series A Preferred Stock shall have conversion rights as follows:

(a) The shares of the Series A Preferred Stock shall be convertible, at the option of the respective holders thereof, at any time prior to the close of business on the business day prior to a Redemption Date, at the office of the Company, into fully paid and nonassessable whole shares of Common Stock of the Company. One share of Series A Preferred Stock shall be convertible into the number of shares of Common Stock, subject to adjustment as described below, equal to 42.735 ($23.40 per share). Upon conversion of any shares of Series A Preferred Stock, the Company shall pay on the date on which such shares are converted (the "Conversion Date"), out of funds legally available therefor, all accumulated and unpaid dividends on such Stock. The right to convert shares of Series A Preferred Stock called for redemption shall terminate at the close of business on the date fixed for redemption, unless default is made in payment of the Redemption Price or the Optional Redemption Price, as the case may be.

(b) Each conversion of shares of the Series A Preferred Stock shall be effected by the surrender of the certificate or certificates representing the shares to be converted at the office of the Company, at any time during its usual business hours, together with written notice by the holder of such shares stating that such holder desires to convert the shares, or a stated number of the shares, represented by such certificate or certificates. Such conversion shall be deemed to have been effected as of the close of business on the date on which such certificate or certificates shall have been surrendered and such notice shall have been received, and, at such time, the rights of the holder as a holder of Series A Preferred Stock shall cease and the holder shall be deemed to have become the holder of the shares of Common Stock issuable upon conversion. The Company will, as soon as practicable thereafter, issue and deliver to such holder certificates for the number of full shares of Common Stock to which such holder shall be entitled.

(c) No fractional shares of the Common Stock or scrip representing fractional shares shall be issued upon conversion of shares of the Series A Preferred Stock. If more than one share of the Series A Preferred Stock shall be surrendered for conversion at one time by the same holder, the number of full shares of the Common Stock which shall be issuable upon conversion thereof shall be computed on the basis of the aggregate number of shares of the Series A Preferred Stock so surrendered. Instead of issuing any fractional shares of the Common Stock which would otherwise be issuable upon conversion of any shares of the Series A Preferred Stock, the number of shares of Common Stock issuable by the Company upon such conversion shall be rounded up to the nearest full share.

(d) The conversion rate in effect at any time shall be subject to adjustment from time to time as follows:

(i) If the Company shall (1) pay a dividend in shares of the Common Stock to Holders of the Common Stock, (2) make a distribution in shares of the Common Stock to Holders of the Common Stock, (3) subdivide the outstanding shares of the Common Stock or (4) combine the outstanding shares of the Common Stock into a smaller number of shares of the Common Stock, then, and in any such case, the conversion rate in effect, immediately prior to such action, shall be adjusted so that the Holder of any shares of the Series A Preferred Stock thereafter surrendered for conversion shall be entitled to receive the number of shares of the Common Stock that such Holder would have owned immediately following such action had such shares of the Series A Preferred Stock been converted immediately prior thereto. An adjustment made pursuant to this paragraph 7(d) (i) shall become effective immediately after the record date in the case of a dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision or combination.

(ii) If the Company shall issue rights or warrants to all Holders of the Common Stock entitling them (for a period commencing no earlier than the record date for the determination of Holders of the Common Stock entitled to receive such rights or warrants and expiring not more than 45 days after such record date) to subscribe for or purchase shares of the Common Stock (or securities convertible into shares of the Common Stock) at a price per share less than the current market price (as determined pursuant to paragraph 7(a))iv)) of the Common Stock on such record date, then, and in any such case, the number of shares of the Common Stock into which each share of the Series A Preferred Stock shall be convertible shall be adjusted so that the same shall be equal to the number determined by multiplying the number of shares of the Common Stock into which such share of the Series A Preferred Stock was convertible immediately prior to such record date by a fraction of which the numerator shall be the number of shares of the Common Stock outstanding on such record date plus the number of additional shares of the Common Stock offered (or into which the convertible securities so offered are convertible), and of which the denominator shall be the number of shares of the Common Stock outstanding on such record date, plus the number of shares of the Common Stock which the aggregate offering price of the offered shares of the Common Stock (or the aggregate conversion price of the convertible securities so offered) would purchase at such current market price. Such adjustments shall become effective immediately after such record date.

(iii) If the Company shall distribute to all holders of the Common Stock shares of any class of capital stock other than the Common Stock, evidences of indebtedness or other assets (other than cash dividends paid out of consolidated current or retained earnings), or shall distribute to all Holders of the Common Stock rights or warrants to subscribe for securities (other than those referred to in paragraph 7(d) (ii)), then and in any such case, the number of shares of the Common Stock into which each share of the Series A Preferred Stock shall be convertible shall be adjusted so that the same shall equal the number determined by multiplying the number of shares of the Common Stock into which such share of the Series A Preferred Stock was convertible immediately prior to the date of such distribution by a fraction of which the numerator shall be the current market price (determined as provided in paragraph 7(d) (iv)) of the Common Stock on the record date mentioned below, and of which the denominator shall be such current market price of the Common Stock, less the then fair market value (as determined by the Board of Directors, whose determination shall be conclusive evidence of such fair market value) of the portion of the assets so distributed or of such subscription rights or warrants applicable to one share of the Common Stock. Such adjustment shall become effective immediately after the record date for the determination of the Holders of the Common Stock entitled to receive such distribution. Notwithstanding the foregoing, in the event that the Company shall distribute rights or warrants (other than those referred to in paragraph 7(d) (ii)) ("Rights") pro rata to Holders of the common Stock, the Company may, in lieu of making any adjustment pursuant to this paragraph 7(d) (iii), make proper provision so that each Holder of a share of Series A Preferred Stock who converts such share after the record date for such distribution and prior to the expiration or redemption of the Rights shall be entitled to receive upon such conversion, in addition to the conversion (the "Conversion Shares"), a number of Rights to be determined as follows: (i) if such conversion occurs on or prior to the date for the distribution to the Holders of Rights of separate certificates evidencing such Rights (the "Distribution Date"), the same number of Rights to which a Holder of a number of shares of the Common Stock equal to the number of Conversion Shares is entitled at the time of such conversion in accordance with the terms and provisions of and applicable to the Rights; and (ii) if such conversion occurs after the Distribution Date, the same number of Rights to which a Holder of the number of the Common Stock into which a share of the Series A Preferred Stock so converted was convertible immediately prior to the Distribution Date would have been entitled on the Distribution Date in accordance with the terms and provisions of and applicable to the Rights.

(iv) The current market price per share of the Common Stock on any date shall be deemed to be the average of the daily closing prices for the first twenty consecutive Trading Days commencing thirty Trading Days before the day in question. The closing price for each day shall be the last reported sales price for the Common Stock on the New York Stock Exchange.

(e) The Company shall at all times reserve and keep available, out of its authorized but unissued shares of Common Stock or out of shares of Common Stock held in its treasury, solely for the purpose of effecting the conversion of the shares of Series A Preferred Stock, the full number of shares of Common Stock deliverable upon the conversion of all shares of Series A Preferred Stock from time to time outstanding.

(f) The Company shall pay any taxes that may be payable in respect of any issuance or delivery of shares of Common Stock on conversion of shares of Series A Preferred Stock.

(g) If:

(1) the Company consolidates or merges with, or transfers all or substantially all of its assets to, another corporation and stockholders of the Company must approve the transaction, or

(2) there is a liquidation or dissolution of the Company,

then a Holder of shares of the Series A Preferred Stock may wish to convert some or all of such shares into shares of the Common Stock prior to the record date for, or the effective date of, the transaction so that he may receive the rights, warrants, securities or assets that a Holder of shares of the Common Stock on that date may receive. Therefore, the Company shall mail to Holders of shares of the Series A Preferred Stock a notice stating the proposed record or effective date, as the case may be. The Company shall mail the notice at least 10 days before such date; provided, however, that failure to mail such notice or any defect therein shall not affect the validity of any transaction referred to in clause (1), (2) or (3) of this paragraph 7(g).

(h) If any of the following shall occur, namely: (i) any reclassification or change of outstanding shares of the Common Stock issuable upon conversion of shares of the Series A Preferred Stock (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination) , (ii) any consolidation or merger to which the Company is a party other than a merger in which the Company is the successor corporation and which does not result in any reclassification of, or change (other than a change in name, or par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination) in, outstanding shares of the Common Stock or (iii) any transfer or lease of all or substantially all of the property or business of the Company as an entirety, then the Company, or such successor or purchasing corporation, as the case may be, shall, as a condition precedent to such reclassification, change, consolidation, merger, transfer or lease, provide in its certificate of incorporation or other charter document that each share of the Series A Preferred Stock shall be convertible into the kind and amount of shares of capital stock and other securities and property (including cash) receivable upon such reclassification, change, consolidation, merger, transfer or lease. Such certificate of incorporation or other charter document shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this paragraph 7 (h). If this paragraph 7(h) applies, then paragraph 7(d) (i) does not apply. The foregoing, however, shall not in any way affect the right a Holder of a share of the Series A Preferred Stock may otherwise have, pursuant to clause (ii) of the last sentence of paragraph 7(d) (iii), to receive Rights upon conversion of a share of the Series A Preferred Stock. If, in the case of any such consolidation, merger, transfer or lease, the stock or other securities and property (including cash) receivable thereupon by a holder of the Common Stock includes shares of capital stock or other securities and property of a corporation other than the successor or purchasing corporation, as the case may be, in such consolidation, merger, transfer or lease, then the certificate of incorporation or other charter document of such other corporation shall contain such additional provisions to protect the interests of the Holders of shares of the Series A Preferred Stock as the Board of Directors shall reasonably consider necessary by reason of the foregoing. The provisions of this paragraph 7(h) shall similarly apply to successive consolidations, mergers, transfers or leases.

8. Exchange

(a) Upon any transfer of any share or share of Series A Preferred Stock (other than to a party who is already a beneficial and record holder of Series A Common Stock or any affiliate of such holder), each such share of Series A Preferred Stock shall, without any further action on the part of the Company or of any holder of capital stock of the Company, (i) be cancelled and cease to represent any ownership interest in the Company, and (ii) represent only the right to receive from the Company a like number of the Company's 6-1/2% Series B Convertible Exchangeable Preferred Stock (the "Series B Preferred Stock"), which shall be issued by the Company without charge upon the surrender to the Company of the certificates representing the shares of Series A Preferred Stock, as hereinafter described. Such certificates shall be surrendered at the principal office of the Company (or such other office or agency of the Company as the Company may designate by notice in writing to the holder or holders of Series A Preferred Stock) at any time during its usual business hours, which notice shall also state the name or names (with addresses) and denominations in which the certificate or certificates for Series B Preferred Stock shall be issued and shall include instructions for delivery thereof. Upon such surrender, the Company shall issue and deliver in accordance with such instructions the certificate or certificates for the Series B Preferred Stock issuable upon such exchange. To the extent permitted by law, such exchange shall be deemed to have been effected as of the close of business on the date on which such certificate or certificates shall have been surrendered.

(b) Shares of Series A Preferred Stock which are exchanged into shares of Series B Preferred Stock as provided herein shall not be reissued.

(c) The Company will at all times reserve and keep available out of its authorized but unissued shares of Series B Preferred Stock or its treasury shares of such Stock, solely for the purpose of issue upon the exchange of the Series A Preferred Stock as provided in this paragraph 8, such number of shares of Series B Preferred Stock as shall then be issuable upon the exchange of all the then outstanding shares of Series A Preferred Stock. The Company covenants that all shares of Series B Preferred Stock which shall be so issuable shall, when issued, be duly and validly issued, fully paid and non- assessable, free of any preemptive rights. The Company will use reasonable efforts to take all such action as may be necessary to assure that all such shares of Series B Preferred Stock may be so issued without violation of any applicable law or regulation or any requirements of any domestic stock exchange upon which shares of Series B Preferred Stock may be listed.

(d) The issuance of certificates for shares of Series B Preferred Stock upon exchange of shares of Series A Preferred Stock shall be made without charge to the holders of such shares of Series A Preferred Stock for any issuance tax in respect thereof, or other cost incurred by the Company in connection with such exchange and the related issuance of shares of Series B Preferred Stock, provided that the Company shall not be required to pay any such tax which may be payable in respect of any transfer involved in the issuance and delivery of any certificate in a name other than that of the holder of the Series A Preferred Stock exchanged. The Company will not take any action which would cause the total number of shares of Series B Preferred Stock issuable upon exchange of the Series A Preferred Stock then outstanding, together with the total number of shares of Series B Preferred Stock then outstanding and the total number of shares of Series B Preferred Stock reserved for issuance upon exchange of Series A Preferred Stock to exceed the total number of shares of Series B Preferred Stock then authorized hereunder. The Company will not close its books against the transfer of any share of Series A Preferred Stock or of any share of Series B Preferred Stock issued or issuable upon the conversion of such shares in any manner which interferes with the timely conversion of such shares.

9. No Reissuance of Preferred Stock. No Series A Preferred Stock acquired by the Company by reason of redemption, purchase, or otherwise shall be reissued, and all such shares shall be cancelled, retired and eliminated from the shares which the Company shall be authorized to issue.

10. Ranking. With regard to rights to receive dividends and distributions upon dissolution of the Company, the Series A Preferred Stock shall rank prior to the Common Stock and any other capital stock of the Company, other than the 6 ½% Series B Convertible Exchangeable Preferred Stock of the Company, with which it shall rank on a parity.

11. Notices. All notices to the Company permitted hereunder shall be personally delivered or sent by first class mail, postage prepaid, addressed to its principal office located at Ethan Allen Drive, Danbury, Connecticut 06811, or to such other address at which its principal office is located and as to which notice thereof is similarly given to the holders of the Series A Preferred Stock at their addresses appearing on the books of the Company.

12. Certain Tax Matters.

(a) The parties hereto intend that (i) the Series A Preferred Stock shall be treated as equity for Federal, state and local income tax purposes, (ii) the dividends paid or deemed paid with respect thereto and any amount in respect of accumulated and unpaid dividends (collectively referred to herein as "Dividends") shall be treated as dividends for Federal, state and local income tax purposes, and (iii) the holders of Series A Preferred Stock shall be entitled to the dividends received deduction provided by Section 243(a) (1) of the Internal Revenue Code of 1986, as amended (the "Code") as in effect on the date hereof or any successor provision and any similar or corresponding state or local law ("Dividends Received Deduction") with respect to the Dividends. In accordance with such intent, the Company agrees that, except to the extent otherwise required (i) by reason of the application of Section 30l(c)(2) or (c)(3) of the Code, (ii) pursuant to a Final Determination (as defined below), or (iii) as a result of a good faith determination based upon a written opinion (a copy of which shall be delivered to the holders of Series A Preferred Stock) of independent tax counsel reasonably acceptable to the holders of Series A Preferred Stock that there is not a valid reporting position under applicable law, neither it nor any affiliate, directly or indirectly, will take any action or file any returns or other documents inconsistent with such intent. For purposes of this subparagraph 12(a), a "Final Determination" with respect to a federal tax liability shall mean (1) a decision, judgement, decree or other order by any court of competent jurisdiction, which decision, judgment, decree or other order has become final, or (2) a closing agreement entered into under Section 7121 (or any successor to such Section) of the Code or any other settlement agreement entered into in connection with an administrative or judicial proceeding and consented to by the holders of Series A Preferred Stock or any member of any holder of Series A Preferred Stock's respective consolidated groups.

(b) If at any time, for any reason or under any circumstances (including a change in law), (i) a holder of Series A Preferred Stock (or the affiliated group of which such holder of Series A Preferred Stock is a member) loses the right to claim, does not claim (as the result of a good faith determination based upon a written opinion of independent tax counsel of such holder of Series A Preferred Stock' s independent tax counsel (a copy of which shall be delivered to the Company) that such claim is not properly allowable or there shall be disallowed all or any portion of the Dividends Received Deduction with respect to the Dividends, (ii) the Dividends Received Deduction shall be reduced below 80% in the case of a holder of Series A Preferred Stock owning at least 20% or more (by vote and value) of the stock of the Company (within the meaning of Section 243 of the Code) or 70% in other cases or shall be otherwise limited or eliminated or (iii) a holder of Series A Preferred Stock' s tax basis in the Series A Preferred Stock shall be subject to reduction by reason of the receipt or accrual of any Dividend or the availability of the Dividends Received Deduction including, without limitation, by reason of the treatment of any indemnity payment hereunder as a dividend (in each case, a "Loss"), then with respect to a particular holder of Series A Preferred Stock, unless such Loss arises solely by reason of the act or failure to act of such holder of Series A Preferred Stock or by reason of a Code provision which limits the availability of the Dividends Received Deduction based on the tax characteristics of such holder of Series A Preferred Stock, including such holder of Series A Preferred Stock incurring "portfolio indebtedness" within the meaning of Section 246A (d)(3) of the Code, such holder of Series A Preferred Stock's failure to satisfy the requirements of Section 246(c) of the Code, or such holder of Series A Preferred Stock's Dividends Received Deduction being limited by reason of the application of Section 246(b) of the Code, the Company shall pay to such holder of Series A Preferred Stock, no later than 10 days after the Notice Date, an amount which will on an After-Tax Basis equal (x) (A) in the case of a Loss described in clauses (i) or (ii) hereof, the excess of (1) the aggregate Federal, state and local income tax paid or payable by the holder of Series A Preferred Stock with respect to such Dividend in its taxable year in which the Dividend is taxable to the holder of Series A Preferred Stock over (2) the Federal, state and local income tax which would have been payable by the holder of Series A Preferred Stock in such taxable year if such Loss had not occurred, or (B) in the case of a Loss described in clause (iii) hereof, the excess of (1) the aggregate Federal, state and local income tax paid or payable by the holder of Series A Preferred Stock with respect to all Dividends paid on the Series A Preferred Stock during all taxable years in which the holder of Series A Preferred Stock held such Series A Preferred Stock and with respect to the disposition of such Series A Preferred Stock over (2) the aggregate Federal, state and local income tax that would have been payable by the holder of Series A Preferred Stock in all such taxable years with respect to such Dividends and such disposition if such Loss had not occurred and (y) any interest, penalties or additions to tax actually payable by the holder of Series A Preferred Stock to the Internal Revenue Service or any other applicable taxing authority by reason of such events. The calculation required under the preceding sentence shall be made assuming that the holder of Series A Preferred Stock pays taxes at the highest marginal Federal, state and local income tax rates in effect during such year.

(c) For purposes of this paragraph 12, an amount paid on an "After-Tax Basis" shall mean an amount which, after reduction by the increase in Federal, state and local income taxes payable by the recipient thereto, calculated using the highest marginal rates in effect at the time of such payment, shall equal the amount in respect of which such amount is paid. "Notice Date" shall be the date on which the holder of Series A Preferred Stock gives notice (a "Notice") to the Company of a Loss, which Notice shall state the nature of the Loss and the claim for indemnity and shall provide a computation of the indemnity payable to the holder of Series A Preferred Stock but in no event more than 30 days prior to the earlier of (i) the filing of a return (including an estimated tax return) or the acceptance of an audit report or closing agreement in which such Loss is reflected, (ii) the payment of any additional Federal, state or local income taxes as a result of such Loss or (iii) in the case of a Loss described in clause (iii) of subparagraph 12(b), the disposition of the Series A Preferred Stock.

(d) If the Internal Revenue Service should propose an adjustment to a holder of Series A Preferred Stock's Federal income tax that would constitute a Loss, the holder of Series A Preferred Stock will notify the Company and the other holder of Series A Preferred Stock. The holder of Series A Preferred Stock for whom such adjustment shall have been proposed shall have exclusive control and responsibility to conduct any audit, examination, proceeding or litigation (a "Contest") with respect thereto; provided, however, that if the Company reasonably so requests, such holder of Series A Preferred Stock shall contest, at the Company's expense, such proposed adjustment at the audit level and thereafter such holder's of Series A Preferred Stock sole obligation shall be to keep the Company duly informed of the progress thereof. If, in the course of contesting any claims referred to in this subparagraph 12(d), the Internal Revenue Service shall advise the holder of Series A Preferred Stock that it is willing to agree to a settlement of such claim, the holder of Series A Preferred Stock shall notify the Company of such settlement proposal and, if, after receipt of such notice, the Company so requests, and provided such settlement will not have any adverse effect on the holder of Series A Preferred Stock, the holder of Series A Preferred Stock shall agree to the settlement as proposed by the Internal Revenue Service and described to the Company. The holder of Series A Preferred Stock shall keep the Company (and the other holder of Series A Preferred Stock) informed with respect to the Contest. Any failure of the holder of Series A Preferred Stock to notify or to keep the Company (or the other holder of Series A Preferred Stock) informed concerning a Contest shall not affect the Company's obligation to indemnify the holder of Series A Preferred Stock pursuant to this paragraph 12. The Company will cooperate with the holder of Series A Preferred Stock as the holder of Series A Preferred Stock shall reasonably request in any Contest. The Company shall indemnify the holder of Series A Preferred Stock, on an After-Tax Basis, for all costs and expenses incurred in connection therewith.

(e) The Company agrees that if a Loss has occurred pursuant to subparagraph 12(b) and payments of the indemnity shall not have been timely made to a holder of Series A Preferred Stock pursuant to subparagraph 12(b), then, until such payments have been made in full to such holder of Series A Preferred Stock, such amounts shall bear interest, calculated daily on the basis of a 360-day year, at a rate equal to the Index Rate plus 4% per annum, until paid in full.

IN WITNESS WHEREOF Ethan Allen Interiors Inc. caused this certificate to be signed by its President and Secretary respectively, on this 23rd day of March, 1993.

/s/ M. Farooq Kathwari
President

/s/ Sharon Blinkoff
Secretary

ETHAN ALLEN INTERIORS INC.

CERTIFICATE OF DESIGNATION, PREFERENCES
AND RELATIVE, PARTICIPATING, OPTIONAL AND
OTHER SPECIAL RIGHTS OF PREFERRED STOCK
AND QUALIFICATIONS, LIMITATIONS AND
RESTRICTIONS THEREOF

Pursuant to section 151 of the
General Corporation Law of
the State of Delaware

ETHAN ALLEN INTERIORS INC. (the "Company"), a corporation organized and existing under the General Corporation Law of the State of Delaware, hereby certifies that pursuant to the provisions of Section 151 of the General corporation Law of the State of Delaware, its Board of Directors on March 9, 1993 adopted the following resolution, which resolution remains in full force and effect as of the date hereof:

WHEREAS, the Board of Directors of the Company is authorized, within the limitations and restrictions stated in the Certificate of Incorporation, to fix by resolution or resolutions the designation of each series of Preferred Stock (the "Preferred Stock") and the powers, preferences and relative participating, optional or other special rights and qualifications, limitations or restrictions thereof, including, without limiting the generality of the foregoing, such provisions as may be desired concerning voting, redemption, dividends, dissolution or the distribution of assets, conversion or exchange, and such other subjects or matters as may be fixed by resolution or resolutions of the Board of Directors under the General Corporation Law of Delaware; and

WHEREAS, it is the desire of the Board of Directors of the Company, pursuant to its authority as aforesaid, to authorize and fix the terms of a series of preferred stock to be designated the Series B Preferred Stock of the Company and the number of shares constituting such series;

NOW, THEREFORE, BE IT RESOLVED, that there is hereby authorized such series of Preferred Stock on the terms and with the provisions herein set forth:

TERMS, PREFERENCES, RIGHTS AND LIMITATIONS

of

6½% Series B Convertible Exchangeable Preferred Stock

of

ETHAN ALLEN INTERIORS INC.

The relative rights, preferences, powers, qualifications, limitations and restrictions granted to or imposed upon the Series B Preferred Stock or the holders thereof are as follows:

1. Definitions. For purposes of this Designation, the following definitions shall apply:

"Board" shall mean the Board of Directors of the Company.

"Business Day" shall mean any day on which trading activity is conducted by The New York Stock Exchange Inc.

"Common Stock" shall mean the Common Stock, par value $.01 per share, of the Company.

"Ethan Allen" shall mean Ethan Allen Inc., a wholly-owned subsidiary of the Company.

"Original Issue Date" shall mean the date of the original issuance of each of the 30,000 shares of Series B Preferred Stock.

"Redemption Date" shall mean the date or dates on which any shares of Series B Preferred Stock are redeemed by the Company.

"Series B Preferred Stock" shall refer to shares of 6½% Series B Convertible Exchangeable Preferred Stock, par value $.01 per share, of the Company.

"Trading Day" shall mean a day on which the New York Stock Exchange is open for the transaction of business.

2. Designation: Number of Shares. The designation of the Preferred Stock authorized by this resolution shall be "Series B Preferred Stock" and the number of shares of Series B Preferred Stock authorized hereby shall be 30,000 shares.

3. Dividends.

(a) So long as any shares of Series B Preferred Stock Shall be outstanding, the holders of such Series B Preferred stock shall be entitled to receive out of any funds legally available therefor, when, as and if declared by the Board of Directors, cumulative preferential dividends in cash, in the amount of $65 a year per share, accruing from the Original Issue Date, payable quarterly in arrears on the first business day of each January, April, July and October (each such date being called a "Dividend Payment Date"). In the event that sufficient funds for any such dividend shall not at any time be otherwise legally available, the Company shall use its best efforts to cause such availability to come into existence. If dividends are not paid in full, or declared in full and sums set apart for the payment thereof, upon the shares of the Series B Preferred Stock, all dividends declared upon shares of the Series B Preferred Stock shall be paid or declared pro rata with all other shares of preferred stock ranking on a parity. Dividends on the series B Preferred Stock shall be cumulative from the original Issue Date (whether or not declared and whether or not in any dividend period or dividend periods there shall be net profits or net assets of the company legally available for the payment of those dividends). The first Dividend Payment Date will be July 1, 1993.

(b) So long as any shares of series B Preferred Stock shall remain outstanding, the Company may not declare or pay any dividend, make a distribution, or purchase, acquire, redeem, pay monies to the holders of, or set aside or make monies available for a sinking fund for the purchase or redemption of, any shares of Common Stock or any share of any other class or series of the Company's preferred stock ranking junior to the Series B Preferred Stock with respect to the payment of dividends or the distribution of assets on liquidation, dissolution or winding up of the Company unless (i) all dividends in respect of the Series B Preferred Stock for all past dividend periods have been paid and are not in arrears and such dividends for the current dividend period have been paid or declared and duly provided for, (ii) all amounts in respect of the mandatory redemption of Series B Preferred Stock pursuant to the terms of paragraph 5 (a) (i) below have been paid for all prior periods and all amounts in respect of such mandatory redemption for the current period have been paid or duly provided for; and (iii) notwithstanding the foregoing, the Company may repurchase common stock from members of management or other employees or from dealers for an aggregate purchase price since the date of original issuance of the Common Stock not to exceed $5 million plus the amount of proceeds received upon resale to members of management and dealers of any such Common Stock.

(c) Dividends payable on the shares of the Series B Preferred Stock for any period less than a full quarterly dividend period shall be computed on the basis of a 360-day year of twelve 30-day months and the actual number of days elapsed in the period for which payable.

4. Liquidation Rights of Series B Preferred Stock

(a) In the event of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the holders of Series B Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Company available for distribution to its stockholders, whether such assets are capital, surplus or earnings, before any payment or declaration and setting apart for payment of any amount shall be made in respect of any shares of Common Stock or any share of any other class or series of the Company's preferred stock ranking junior to the Series B Preferred stock with respect to the payment of dividends or distribution of assets on liquidation, dissolution or winding up of the Company, an amount equal to $1,000 per share plus all accumulated and unpaid dividends (including a prorated quarterly dividend from the last Dividend Payment Date to the date of such payment) in respect of any liquidation, dissolution or winding up consummated.

(b) If upon any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the assets to be distributed among the holders of series B Preferred Stock shall be insufficient to permit the payment to such stockholders of the full preferential amounts aforesaid, then the entire assets of the Company to be distributed shall be distributed ratably among the holders of Series B Preferred Stock, based on the full preferential amounts for the number of shares of Series B Preferred stock held by each holder.

(c) A consolidation or merger of the Company with or into any other corporation or corporations in which the stockholders of the Company receive solely capital stock of the acquiring corporation (or of the direct or indirect parent corporation of the acquiring corporation), except for cash in lieu of fractional shares, shall not be deemed to be a liquidation, dissolution, or winding up of the Company as those terms are used in this paragraph 4.

5. Redemption of Series B Preferred Stock

(a) Redemption.

(i) The Company shall, at the redemption price equal to the sum of $1,000 per share plus all accumulated and unpaid dividends per share (including a prorated quarterly dividend from the last Dividend Payment Date to the Redemption Date) (the "Redemption Price") , and in the manner provided in subparagraphs 5 (a) (iv) through 5 (a) (vii) , redeem from any source of funds legally available therefor, all shares of Series B Preferred Stock outstanding on such Redemption Date, on the tenth anniversary of the Original Issue Date (the "Mandatory Redemption Date"); provided, however, that if there are insufficient legally available funds for redemption under this subparagraph (a)(i), the Company shall redeem such lesser number of shares of Series B Preferred Stock, to the extent there are funds legally available therefor, and shall redeem all or part of the remainder of the shares of Series B Preferred Stock subject to redemption as soon as the Company has sufficient funds which are legally available therefor until all such shares of Series B Preferred Stock have been redeemed.

(ii) The Company shall, in the manner provided in subparagraphs 5 (a) (iii) through 5(a) (vii) , have the right, commencing on the day next succeeding the second anniversary of the Original Issue Date (the "Optional Redemption Date"), to redeem from any source of funds legally available therefor, all or, subject to subparagraph 5(a) (iii) hereof, any portion of the Series B Preferred stock outstanding on such date, at the following prices (each, an "Optional Redemption Price") :

Year	Price Per Share
1995	$ 1,048.75
1996	$ 1,040.63
1997	$ 1,032.50
1998	$ 1,024.38
1999	$ 1,016.25
2000	$ 1,008.13
2001 and thereafter	$ 1,000.00

provided, however, that during the period commencing on the Optional Redemption Date and ending on the first anniversary of the Optional Redemption Date, the Company shall only have this right to issue a redemption notice to redeem the Series B Preferred stock pursuant to this paragraph 5 (a) (ii) after the Common Stock has had a closing price on the New York Stock Exchange equal to or greater than 140% of the then applicable conversion price per share (as fixed or determined in accordance with paragraph 7 below) for at least twenty (20) Trading Days within thirty (30) consecutive Trading Days ending on the fifth Trading Day prior to the date notice of redemption is given.

(iii) In the event of a redemption of only a portion of the then outstanding shares of Series B Preferred Stock, the Company shall effect such redemption pro rata according to the number of shares held by each holder of Series B Preferred Stock.

(iv) At least twenty (20) days and not more than sixty (60) days prior to the date fixed for any redemption of the series B Preferred Stock, written notice (the "Redemption Notice") shall be mailed, postage prepaid, to each holder of record of the series B Preferred Stock at his post office address last shown on the records of the company. The Redemption Notice shall state:

(A) whether all or less than all the outstanding shares of Series B Preferred Stock are to be redeemed and the total number of shares of Series B Preferred Stock being redeemed;

(B) whether the Series B Preferred Stock is being redeemed pursuant to subparagraph 5 (a) (i) or 5 (a) (ii) and, if redeemed pursuant to subparagraph 5 (a) (ii), a statement to the effect that the requirements to redeem the Series B Preferred Stock contained in such subparagraph have been met;

(C) the number of shares of Series B Preferred Stock held by the holder that the Company intends to redeem;

(D) the date fixed for redemption and the Redemption Price or Optional Redemption Price, as the case may be; and

(E) that the holder is to surrender to the Company, in the manner and at the place designated, his certificate or certificates representing the shares of Series B Preferred Stock to be redeemed.

(v) On or before the date fixed for redemption, each holder of Series B Preferred Stock shall surrender the certificate or certificates representing such shares of Series B Preferred Stock to the Company, in the manner and at the place designated in the Redemption Notice, and thereupon the applicable redemption price for such shares shall be payable in cash on the Redemption Date to the person whose name appears on such certificate or certificates as the owner thereof, and each surrendered certificate shall be cancelled and retired. In the event that less than all of the shares represented by any such certificate are redeemed, a new certificate shall be issued representing the unredeemed shares.

(vi) Unless the Company defaults in the payment in full of the Redemption Price or the Optional Redemption Price, as the case may be, dividends on the Series B Preferred Stock called for redemption shall cease to accumulate on the Redemption Date, and all rights of the holders of such shares redeemed shall cease to have any further rights with respect thereto on the Redemption Date, other than to receive the Redemption Price or the Optional Redemption Price, as the case may be, without interest.

(b) No Reissuance of Preferred Stock. No Series B Preferred Stock acquired by the Company by reason of redemption, purchase, or otherwise shall be reissued, and all such shares shall be cancelled, retired and eliminated from the shares which the Company shall be authorized to issue.

6. Voting Rights.

(a) From and after the Original Issue Date, if the Company shall be in arrears in the payment of any six quarterly dividends on the outstanding shares of series B Preferred Stock or shall have failed to redeem shares of Series B Preferred Stock as and when required, the number of directors of the Company shall (in addition to any other permitted changes in the size and composition of the Board of Directors) be increased by one and the holders of Series B Preferred Stock, voting separately as a class with the holders, if any, of the Company's 6 1/2% Series A Convertible Exchangeable Preferred Stock, shall have the exclusive right to elect one such additional director in addition to the number to be elected by the holders of Common Stock or any other shares of preferred stock of the Company, at a special meeting of stockholders called for the election of directors pursuant to the procedures set forth below for the calling of a special meeting by holders of Series B Preferred Stock if such meeting is not called by the Board of Directors of the Company within twenty (20) days after such holders become entitled to such right to elect directors, and at every subsequent meeting at which the terms of office of the directors so elected by the holders of series B Preferred Stock expire, provided that such arrearage or failure exists on the date of such meeting or subsequent meetings, as the case may be.

(b) The right of the holders of Series B Preferred Stock voting separately as a class to elect members of the Board of Directors of the Company as aforesaid shall continue until such time as all dividends accumulated on the Series B Preferred Stock shall have been paid in full and provision has been made for the payment in full of the dividends for the current period, subject to revesting at such time as the Company shall again be subject to subparagraph 6(a). If the annual meeting of stockholders of the Company is not, for any reason, held within the time fixed in the by-laws of the Company at a time when the holders of Series B Preferred Stock, voting separately and as a class, shall be entitled to elect directors, or if vacancies shall exist in the offices of directors elected by the holders of Series B Preferred Stock, a proper officer of the Company, upon the written request of the holders of record of at least ten percent (10%) of the shares of Series B Preferred Stock then outstanding, addressed to the Secretary of the Company, shall call a special meeting in lieu of the annual meeting of stockholders, or in the event of vacancies, a special meeting of the holders of Series B Preferred Stock, for the purpose of electing directors. Any such meeting shall be held at the earliest practicable date at the place for the holding of the annual meetings of stockholders. If such meeting shall not be called by the proper officer of the Company within twenty (20) days after personal service of said written request upon the Secretary of the Company, or within twenty (20) days after mailing the same within the United States by certified mail, addressed to the Secretary of the Company at its principal executive offices, then the holders of record of at least ten percent (10%) of the outstanding shares of Series B Preferred Stock may designate in writing one of their number to call such meeting at the expense of the Company, and such meeting may be called by the person so designated upon the notice required for the annual meetings of stockholders of the Company and shall be held at the place for holding the annual meetings of stockholders. Any holder of Series B Preferred Stock so designated shall have access to the lists of stockholders to be called pursuant to the provisions hereof.

(c) At any meeting held for the purpose of electing directors at which the holders of Series B Preferred Stock shall have the right, voting separately as a class, to elect directors as aforesaid, the presence in person or by proxy of the holders of at least thirty-three and one-third percent (33-1/3%) of the outstanding Series B Preferred Stock shall be required to constitute a quorum of such Series B Preferred Stock.

(d) Any vacancy occurring in the office of a director elected by the holders of Series B Preferred Stock shall be filled by the holders of Series B Preferred Stock. Any director to be elected by the holders of Series B Preferred Stock shall agree, prior to his election to office, to resign upon the request of the respective holders of the Series B Preferred Stock which have the right hereunder to elect such director in the event of any termination of the right of the holders of Series B Preferred Stock to vote as a class for directors as herein provided, and upon any such termination the directors then in office elected by the holders of Series B Preferred Stock shall forthwith resign. Unless otherwise required to resign as aforesaid, the term of office of the directors elected by the holders of Series B Preferred Stock shall terminate upon the election of their successors at any meeting of stockholders held for the purpose of electing directors.

(e) In any case in which the holders of Series B Preferred Stock shall be entitled to vote pursuant to this paragraph 6 or pursuant to law, each holder of Series B Preferred Stock shall be entitled to one vote for each share of Series B Preferred Stock held.

(f) In addition to any other rights provided by applicable law, so long as any shares of the Series B Preferred Stock are outstanding, the Company shall not, without the affirmative vote, or the written consent as provided by law, of the holders of (A) at least a majority of the outstanding shares of the Series B Preferred Stock, voting separately, create, authorize or issue any class or series of capital stock ranking either as to payment of dividends or distribution of assets upon liquidation prior to the Series B Preferred Stock; or (B) at least two-thirds (2/3) of the outstanding shares of the series B Preferred Stock, voting separately, change the preferences, rights or powers with respect to the series B Preferred Stock so as to affect the Preferred Stock adversely; but (except as otherwise required by applicable law) nothing herein contained shall require such a vote or consent (i) in connection with any increase in the total number of authorized shares of the Common Stock, or (ii) in connection with the authorization or increase of any class or series of shares ranking, as to dividends and in liquidation, junior to or on a parity with the Series B Preferred Stock; provided, however, that no such vote or written consent of the holders of the shares of the Series B Preferred Stock shall be required if, at or prior to the time when the issuance of any such shares ranking prior to the Series B Preferred Stock is to be made or any such change is to take effect, as the case may be, provision is made for the redemption of all the then outstanding shares of the Series B Preferred Stock; and provided further, that this provision shall not in any way limit the right and power of the Company to issue its currently authorized but unissued shares or bonds, notes, mortgages, debentures, and other obligations, and to incur indebtedness to banks and to other lenders .

7. Conversion. The holders of shares of the Series B Preferred Stock shall have conversion rights as follows:

(a) The shares of the Series B Preferred Stock shall be convertible, at the option of the respective holders thereof, at any time prior to the close of business on the business day prior to a Redemption Date, at the office of the Company, into fully paid and nonassessable whole shares of Common Stock of the Company. One share of series B Preferred Stock shall be convertible into the number of shares of Common Stock, subject to adjustment as described below, equal to 42.735. Upon conversion of any shares of Series B Preferred Stock, the Company shall pay on the date on which such shares are converted (the "Conversion Date"), out of funds legally available therefor, all accumulated and unpaid dividends on such Stock. The right to convert shares of Series B Preferred Stock called for redemption shall terminate at the close of business on the date fixed for redemption, unless default is made in payment of the Redemption Price or the Optional Redemption Price, as the case may be.

(b) Each conversion of shares of the series B Preferred Stock shall be effected by the surrender of the certificate or certificates representing the shares to be converted at the office of the Company, at any time during its usual business hours, together with written notice by the holder of such shares stating that such holder desires to convert the shares, or a stated number of the shares, represented by such certificate or certificates. Such conversion shall be deemed to have been effected as of the close of business on the date on which such certificate or certificates shall have been surrendered and such notice shall have been received, and, at such time, the rights of the holder as a holder of series B Preferred stock shall cease and the holder shall be deemed to have become the holder of the shares of Common Stock issuable upon conversion. The Company will, as soon as practicable thereafter, issue and deliver to such holder certificates for the number of full shares of Common Stock to which such holder shall be entitled.

(c) No fractional shares of the Common Stock or scrip representing fractional shares shall be issued upon conversion of shares of the Series B Preferred Stock. If more than one share of the series B Preferred Stock shall be surrendered for conversion at one time by the same holder, the number of full shares of the Common Stock which shall be issuable upon conversion thereof shall be computed on the basis of the aggregate number of shares of the Series B Preferred Stock so surrendered. Instead of issuing any fractional shares of the Common Stock which would otherwise be issuable upon conversion of any shares of the Series B Preferred Stock, the number of shares of Common Stock issuable by the Company upon such conversion shall be rounded up to the nearest full share.

(d) The conversion rate in effect at any time shall be subject to adjustment from time to time as follows:

(i) If the Company shall (1) pay a dividend in shares of the Common Stock to Holders of the Common Stock, (2) make a distribution in shares of the Common Stock to Holders of the Common Stock, (3) subdivide the outstanding shares of the Common Stock or (4) combine the outstanding shares of the Common Stock into a smaller number of shares of the Common Stock, then, and in any such case, the conversion rate in effect, immediately prior to such action, shall be adjusted so that the Holder of any shares of the Series B Preferred Stock thereafter surrendered for conversion shall be entitled to receive the number of shares of the Common Stock that such Holder would have owned immediately following such action had such shares of the Series B Preferred stock been converted immediately prior thereto. An adjustment made pursuant to this paragraph 7(d) (i) shall become effective immediately after the record date in the case of a dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision or combination.

(ii) If the Company shall issue rights or warrants to all Holders of the Common Stock entitling them (for a period commencing no earlier than the record date for the determination of Holders of the Common Stock entitled to receive such rights or warrants and expiring not more than 45 days after such record date) to subscribe for or purchase shares of the Common Stock (or securities convertible into shares of the Common Stock) at a price per share less than the current market price (as determined pursuant to paragraph 7(a))iv)) of the Common Stock on such record date, then, and in any such case, the number of shares of the common Stock into which each share of the series B Preferred Stock shall be convertible shall be adjusted so that the same shall be equal to the number determined by multiplying the number of shares of the Common Stock into which such share of the series B Preferred Stock was convertible immediately prior to such record date by a fraction of which the numerator shall be the number of shares of the Common Stock outstanding on such record date plus the number of additional shares of the Common Stock offered (or into which the convertible securities so offered are convertible), and of which the denominator shall be the number of shares of the Common Stock outstanding on such record date, plus the number of shares of the Common Stock which the aggregate offering price of the offered shares of the Common Stock (or the aggregate conversion price of the convertible securities so offered) would purchase at such current market price. Such adjustments shall become effective immediately after such record date.

(iii) If the company shall distribute to all holders of the Common Stock shares of any class of capital stock other than the Common Stock, evidences of indebtedness or other assets (other than cash dividends paid out of consolidated current or retained earnings), or shall distribute to all Holders of the Common Stock rights or warrants to subscribe for securities (other than those referred to in paragraph 7(d) (ii)), then and in any such case, the number of shares of the Common Stock into which each share of the Series B Preferred Stock shall be convertible shall be adjusted so that the same shall equal the number determined by multiplying the number of shares of the Common Stock into which such share of the Series B Preferred Stock was convertible immediately prior to the date of such distribution by a fraction of which the numerator shall be the current market price (determined as provided in paragraph 7(d)(iv)) of the Common Stock on the record date mentioned below, and of which the denominator shall be such current market price of the Common Stock, less the then fair market value (as determined by the Board of Directors, whose determination shall be conclusive evidence of such fair market value) of the portion of the assets so distributed or of such subscription rights or warrants applicable to one share of the Common Stock. Such adjustment shall become effective immediately after the record date for the determination of the Holders of the Common Stock entitled to receive such distribution. Notwithstanding the foregoing, in the event that the Company shall distribute rights or warrants (other than those referred to in paragraph 7(d) (ii)) ("Rights") pro rata to Holders of the Common Stock, the Company may, in lieu of making any adjustment pursuant to this paragraph 7(d) (iii), make proper provision so that each Holder of a share of Series B Preferred stock who converts such share after the record date for such distribution and prior to the expiration or redemption of the Rights shall be entitled to receive upon such conversion, in addition to the conversion (the "Conversion Shares"), a number of Rights to be determined as follows: (i) if such conversion occurs on or prior to the date for the distribution to the Holders of Rights of separate certificates evidencing such Rights (the "Distribution Date"), the same number of Rights to which a Holder of a number of shares of the Common Stock equal to the number of Conversion Shares is entitled at the time of such conversion in accordance with the terms and provisions of and applicable to the Rights; and (ii) if such conversion occurs after the Distribution Date, the same number of Rights to which a Holder of the number of the Common Stock into which a share of the Series B Preferred stock so converted was convertible immediately prior to the Distribution Date would have been entitled on the Distribution Date in accordance with the terms and provisions of and applicable to the Rights .

(iv) The current market price per share of the Common Stock on any date shall be deemed to be the average of the daily closing prices for the first twenty consecutive Trading Days commencing thirty Trading Days before the day in question. The closing price for each day shall be the last reported sales price for the Common stock on the New York Stock Exchange.

(e) The company shall at all times reserve and keep available, out of its authorized but unissued shares of common stock or out of shares of Common Stock held in its treasury, solely for the purpose of effecting the conversion of the shares of Series B Preferred Stock, the full number of shares of Common Stock deliverable upon the conversion of all shares of Series B Preferred Stock from time to time outstanding.

(f) The Company shall pay any taxes that may be payable in respect of any issuance or delivery of shares of Common Stock on conversion of shares of Series B Preferred Stock.

(g) If:

(1) the Company consolidates or merges with, or transfers all or substantially all of its assets to, another corporation and stockholders of the Company must approve the transaction, or

(2) there is a liquidation or dissolution of the Company,

then a Holder of shares of the Series B Preferred Stock may wish to convert some or all of such shares into shares of the Common Stock prior to the record date for, or the effective date of, the transaction so that he may receive the rights, warrants, securities or assets that a Holder of shares of the Common Stock on that date may receive. Therefore, the Company shall mail to Holders of shares of the Series B Preferred Stock a notice stating the proposed record or effective date, as the case may be. The Company shall mail the notice at least 10 days before such date; provided, however, that failure to mail such notice or any defect therein shall not affect the validity of any transaction referred to in clause (1), (2) or (3) of this paragraph 7(g).

(h) If any of the following shall occur, namely: (i) any reclassification or change of outstanding shares of the Common Stock issuable upon conversion of shares of the Series B Preferred Stock (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination), (ii) any consolidation or merger to which the Company is a party other than a merger in which the Company is the successor corporation and which does not result in any reclassification of, or change (other than a change in name, or par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination) in, outstanding shares of the Common Stock or (iii) any transfer or lease of all or substantially all of the property or business of the Company as an entirety, then the Company, or such successor or purchasing corporation, as the case may be, shall, as a condition precedent to such reclassification, change, consolidation, merger, transfer or lease, provide in its certificate of incorporation or other charter document that each share of the Series B Preferred Stock shall be convertible into the kind and amount of shares of capital stock and other securities and property (including cash) receivable upon such reclassification, change, consolidation, merger, transfer or lease. Such certificate of incorporation or other charter document shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this paragraph 7(h). If this paragraph 7(h) applies, then paragraph 7 (d) (i) does not apply. The foregoing, however, shall not in any way affect the right a Holder of a share of the Series B Preferred Stock may otherwise have, pursuant to clause (ii) of the last sentence of paragraph 7(d) (iii), to receive Rights upon conversion of a share of the Series B Preferred Stock. If, in the case of any such consolidation, merger, transfer or lease, the stock or other securities and property (including cash) receivable thereupon by a holder of the Common Stock includes shares of capital stock or other securities and property of a corporation other than the successor or purchasing corporation, as the case may be, in such consolidation, merger, transfer or lease, then the certificate of incorporation or other charter document of such other corporation shall contain such additional provisions to protect the interests of the Holders of shares of the series B Preferred Stock as the Board of Directors shall reasonably consider necessary by reason of the foregoing. The provisions of this paragraph 7(h) shall similarly apply to successive consolidations, mergers, transfers or leases.

8. Exchange

(a) The Company shall have the option on any Dividend Payment Date to exchange all or any portion of the shares of Series B Preferred Stock outstanding on such Dividend Payment Date into the Company's 6 1/2% Convertible Subordinated Debentures due March 15, 2003 (the "Notes") to be issued pursuant to an indenture (the "Indenture") substantially in the form attached hereto as Exhibit A, in the amount of $1,000 principal amount of Notes for each share of Series B Preferred Stock; provided, however, that no such exchange may be consummated unless full cumulative dividends (including, without duplication, full cumulative dividendspro rata for the elapsed portion of the current dividend period) on the Series B Preferred Stock to the date of exchange shall have been paid. Such exchange may be made only if, at the time of the exchange (i) the Indenture shall have been qualified under the Trust Indenture Act of 1939, as amended, (ii) there shall be no dividend arrearage (including the dividend payable on the date of exchange) on the shares of the Series B Preferred Stock, and (iii) no Event of Default (as defined in the Indenture) under the Indenture shall have occurred and be continuing. Notes shall be issued only in integral multiples of $1,000 at the time of exchange. If any additional amounts ("Fractional Principal Amounts") would otherwise be issuable to any Holder of Series B Preferred Stock, then the Company shall, in lieu of issuing a Fractional Principal Amount therefor, issue, in full payment of the Company's obligation with respect to such Fractional Principal Amounts, Notes equal to the aggregate of such Fractional Principal Amounts (rounded upwards to the nearest principal amount which is an integral multiple of $1,000) to an agent (the "Agent") appointed by the Company for the sale thereby. The Agent will remit promptly to the Holders of Fractional Principal Amounts their proportionate interest in the net proceeds (following deduction of applicable transaction costs) from any such sale.

(b) Any exchange pursuant to this paragraph 8 shall be made upon not less than 30 days' notice prior to the date fixed for exchange (the "Exchange Date"). The notice given shall state that, upon surrender of their certificate or certificates to the Company, the holders of Series B Preferred Stock will receive Notes in the amount set forth in subparagraph 8(a) above and that, at the close of business on the Exchange Date, all rights of the holders with respect to such shares so called for exchange shall cease, except the right to receive the Notes in the amount set forth in subparagraph 8(a) above. Prior to giving the first notice of intention to exchange, the Company shall execute and deliver to a bank or trust company selected by the Company, and qualify under the Trust Indenture Act of 1939, as amended, the Indenture in substantially the form filed as an exhibit to the Registration Statement with such changes as may be required by law or usage. Except as may be otherwise required by applicable law, the form of the Indenture may only be amended or supplemented before the first Exchange Date which occurs with the affirmative vote or consent of the Holders of two-thirds (2/3) of the outstanding shares of the Series B Preferred Stock, except for those changes which would not adversely affect the legal rights of the Holders. On or after such first Exchange Date, the Indenture may only be amended or supplemented as provided in the Indenture. The Company will cause the Notes to be authenticated on the dividend payment date on which the relevant exchange is effective, and the Company will pay interest on the Notes at the rate and on the dates specified in such Indenture from and after the relevant Exchange Date. The Company shall not be required to declare or pay, and the holders of Series B Preferred Stock shall not be entitled to receive, any dividends on such Series B Preferred Stock in addition to the full cumulative dividends paid on the Series B Preferred Stock to the Exchange Date pursuant to subparagraph 8(a) hereof.

9. Ranking. With regard to rights to receive dividends and distributions upon dissolution of the Company, the Series B Preferred stock shall rank prior to the Common Stock and any other capital stock of the Company other than the 6-1/2% Series A Convertible Exchangeable Preferred Stock of the Company, with which it shall rank on a parity.

10. Notices. All notices to the Company permitted hereunder shall be personally delivered or sent by first class mail, postage prepaid, addressed to its principal office located at Ethan Allen Drive, Danbury, Connecticut 06811, or to such other address at which its principal office is located and as to which notice thereof is similarly given to the holders of the Series B Preferred Stock at their addresses appearing on the books of the Company.

IN WITNESS WHEREOF Ethan Allan Interiors Inc. caused this Certificate to be signed by its President and Secretary respectively, on this 23rd day of March, 1993.

/s/ M. Farooq Kathwari
President

/s/ Sharon Blinkoff
Secretary

EXHIBIT A

ETHAN ALLEN INTERIORS, INC.

AND

[ ],

Trustee

Indenture

Dated as of

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6 1/2% Convertible Subordinated Debentures
Due March 15, 2003

CROSS-REFERENCE TABLE

TIA Section	Indenture Section
§ 310 (a)(1)	9.10
(a)(2)	9.10
(a)(3)	N.A.
(a)(4)	N.A.
(b)	9.08: 9.10
(c)	N.A.
§ 311 (a)	9.11
(b)	9.11
(c)	N.A.
§ 312 (a)	2.05
(b)	12.03
(c)	12.03
§ 313 (a)	9.06
(b)(1)	N.A.
(b)(2)	9.06
(c)	9.06:11.02
(d)	9.06
§ 314 (a)	6.Q2; 6.05
(b)	N.A.
(c)(1)	12.04(a)
(c)(2)	12.04(a)
(c)(3)	N.A.
(d)	N.A.
(e)	12.04(b)
(f)	N.A.
§ 315 (a)	9.01(b)
(b)	9.05: 11.02
(c)	9.01(a)
(d)	9.01(c)
(e)	8.11
§ 316 (a)(last sentence)	2.09
(a)(1)(A)	8.05
(a)(1)(B)	8.04
(a)(2)	N.A.
(b)	8.07
(c)	12.05
§ 317 (a)(1)	8.08
(a)(2)	8.09
(b)	2.04
§ 318 (a)	12.01

N.A. means Not Applicable

Note: This Cross-Reference Table shall not, for any purpose, be deemed to be a part of this Indenture.

TABLE OF CONTENTS

Note: This Table of Contents shall not, for any purpose, be deemed to be a part of this Indenture.

INDENTURE dated as of between ETHAN ALLEN INTERIORS INC., a Delaware corporation (the "Company"), and [ ], a [ ], as Trustee (the "Trustee").

Both parties agree as follows for the benefit of the other and for the equal and ratable benefit of the Holders of the Company's 6 1/2% Convertible Subordinated Debentures due March 15, 2003.

ARTICLE 1.
DEFINITIONS AND INCORPORATION BY REFERENCE

SECTION 1.01 *Definitions.*

"Affiliate" of any specified person means any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person. For the purposes of this definition, beneficial ownership of 10% or more of the voting common equity of a person shall be deemed to be control unless ownership of a lesser amount may be deemed to be control under the TIA. The terms "controlling" and "controlled" have meanings correlative to the foregoing. The term "Affiliate" shall not include any agent or Lender under the Credit Agreement.

"Agent" means any Registrar, Paying Agent or Conversion Agent.

"Associate" shall have the meaning ascribed to such term in Rule 12b-2 of the General Rules and Regulations under the Exchange Act, as such Rule is in effect on the date of this Indenture.

"Board of Directors" means the Board of Directors of the Company or any committee of the Board of Directors duly authorized to act hereunder.

"Business Day" means any day other than a Legal Holiday.

"Capitalized Lease" means any lease of property, real or personal, in respect of which the present value of the minimum rental commitment would be capitalized on a balance sheet of the lessee in accordance with generally accepted accounting principles.

"Capitalized Lease Obligation" means the amount of the liability in respect of a Capitalized Lease required to be capitalized on a balance sheet of the lessee in accordance with generally accepted accounting principles.

"Certificate of Designation" means the form of Certificate of Designation, Preferences and Relative, Participating, Optional and other Special Rights of Preferred Stock and Qualifications. Limitations and Restrictions Thereof Relating to the Convertible Exchangeable Preferred Stock.

"Common Stock" means the common stock of the Company as it exists on the date of this Indenture or as it may be constituted from time to time.

"Company" means the party named as such in this Indenture until a successor replaces it pursuant to this Indenture and thereafter means the successor.

"Convertible Exchangeable Preferred Stock" means the 6 1/2% Convertible Exchangeable Preferred Stock, par value $.01, of the Company.

"Credit Agreement" means the Credit Agreement, dated as of March 16, 1993, among Company, Ethan Allen, Bankers Trust Company, as Agent, and lenders which are now or may hereafter become parties thereto, and any guaranty agreements and related security documents, in each case as such agreements may be amended, restated, supplemented or otherwise modified from time to time, including any agreement extending the maturity of, refinancing, replacing or otherwise restructuring (including adding Subsidiaries of Ethan Allen as additional borrowers or guarantors thereunder) all or any portion of the Indebtedness under such agreements or successor replacement agreements.

"default" means any event that is, or after notice or passage of time, or both, would be, an Event of Default.

"Ethan Allen" means Ethan Allen Inc., a Delaware corporation and a wholly-owned Subsidiary of the Company.

"Exchange Date" means any date on which outstanding shares of Convertible Exchangeable Preferred Stock are exchanged for the Securities.

"Holder" or "Securityholder" means a person in whose name a Security is registered. "Indenture" means this Indenture as amended or supplemented from time to time.

"New York Stock Exchange" means The New York Stock Exchange Inc.

"Officer" means the Chairman of the Board, the President. any Vice President, the Chief Financial Officer, the Treasurer, any Assistant Treasurer, the Controller, the Secretary or any Assistant Secretary of the Company.

"Officers' Certificate' means a certificate signed by two Officers. See Section 12.04.

"Opinion of Counsel" means a written opinion from legal counsel who may be an employee of, or counsel to. the Company or who may be other counsel reasonably acceptable to the Trustee. See Section 12.04.

"Person" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"principal" of a debt security, including the Securities, means the principal of the security plus the premium, if any, on the security.

"redemption date," when used with respect to any Security to be redeemed, means the date fixed for such redemption pursuant to this Indenture, as set forth in the form of Security annexed as Exhibit A hereto.

"redemption price," when used with respect to any Security to be redeemed, means the price fixed for such redemption pursuant to this Indenture, as set forth in the form of Security annexed as Exhibit A hereto.

"SEC" means the Securities and Exchange Commission.

"Securities" means the 6 1/2% Convertible Subordinated Debentures due March 15, 2003, or any of them that are issued under this Indenture as amended or supplemented from time to time.

"Senior Indebtedness" means the principal of and interest (including, without limitation, any interest accruing subsequent to the filing of a petition or other action concerning bankruptcy or other similar proceedings, penalties, reimbursements or indemnification amounts, fees, expenses or other amounts relating to any indebtedness, whether or not an allowed claim) on the following, whether presently outstanding or hereafter incurred: (a) all indebtedness of the Company (i) for money borrowed (other than that evidenced by the Securities), (ii) evidenced by a note, debenture or similar instrument (including a purchase money mortgage) given in connection with the acquisition of any property or assets (other than inventory or other similar property acquired in the ordinary course of business), including securities, or (iii) for the payment of money relating to a Capitalized Lease . Obligation; (b) any other person's liability, described in the preceding clause (a), that the Company has guaranteed or that is otherwise its legal liability; (c) obligations of the Company under, or guaranteeing, interest rate swaps, caps or similar hedging agreements and foreign exchange contracts, currency swaps or similar agreements; (d) renewals, extensions, refundings, restructurings, amendments and modifications of any such indebtedness or guarantee and (e) all Obligations of the Company arising under its guaranty of the amounts arising under the Credit Agreement or the indenture relating to the Senior Notes of Ethan Allen. Notwithstanding anything to the contrary in this Indenture or the Securities, "Senior Indebtedness" shall not include (x) any indebtedness of the Company to a Subsidiary or (y) any indebtedness or guarantee of the Company that by its terms or the terms of the instrument creating or evidencing it is not superior in right of payment to the Securities.

"Significant Subsidiary" means any Subsidiary that would be a "significant subsidiary" as defined in Rule 1-02 of Regulation S-X under the Exchange Act.

"Subsidiary" of any person means any entity of which shares of the capital stock or other equity interests (including partnership interests) entitled to cast at least a majority of the votes that may be cast by all shares or equity interests having ordinary voting power for the election of directors or other governing body of such entity is owned by such person directly and/or through one or more Subsidiaries.

"TIA" means the Trust Indenture Act of 1939 (15 U.S.C. §§ 77aaa-77bbbb) as in effect on the date of this Indenture, except as provided in Sections 11.01 and 11.03 hereof.

"trading day" means any day on which the New York Stock Exchange is open for trading.

"Trustee" means the party named as such in this Indenture until a successor replaces it in accordance with the applicable provisions of this Indenture and thereafter means the successor serving hereunder.

"Trust Officer" means the Chairman of the Board, the President or any other officer or assistant officer of the Trustee assigned by the Trustee to administer its corporate trust matters.

SECTION 1.02 *Other Definitions.*

Term	Defined in Section
"Bankruptcy Law"	8.01
"Change of Control"	4.14(a)
"Change of Control Date"	4.14(a)
"Continuing Directors"	4.14(a)
"Conversion Agent"	2.03
'Conversion Notice"	4.14(c)
'Conversion Option"	4. 14(b)
'Conversion Price"	4.06
"Custodian"	8.01
"Event of Default"	8.01
"Exchange Act"	6.02
"Legal Holiday"	12.07
"Market Price"	4.06(d)
"Paying Agent"	2.03
"Permitted Transferees"	4.14(f)
"Registrar"	2.03
"Rights"	4.06(c)
"Special Conversion Price"	4.14(b)
"U.S. Government Obligations"	10.01

SECTION 1.03 *Incorporation by Reference of Trust Indenture Act.*

Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture. The following TIA terms used in this Indenture have the following meanings:

"Commission" means the SEC.

"indenture securities" means the Securities.

"indenture security holder" means a Securityholder.

"indenture to be qualified" means this Indenture.

"indenture trustee" or "institutional trustee" means the Trustee.

"obligor" on the Securities means the Company.

All other terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by SEC rule under the TIA have the meanings so assigned to them.

SECTION 1.04 *Rules of Construction.*

Unless the context otherwise requires:

(1) a term has the meaning assigned to it;

(2) an accounting term not otherwise defined has the meaning assigned to it in accordance with generally accepted accounting principles in effect in the United States, and references in this Indenture to 'generally accepted accounting principles* shall mean generally accepted accounting principles in effect in the United States as of the time when and for the period as to which such accounting principles are to be applied;

(3) "or" is not exclusive;

(4) words in the singular include the plural. and words in the plural include the singular;

(5) provisions apply to successive events and transactions; and

(6) "herein", "hereof and other words of similar import refer to this Indenture as a whole and not to any particular Article. Section or other Subdivision.

ARTICLE 2.
THE SECURITIES

SECTION 2.01 *Form and Dating.*

The Securities and the Trustee's certificate of authentication shall be substantially in the form of Exhibit A, the terms of which are incorporated in and made a part of this Indenture. The Securities may have notations, legends or endorsements required by law, securities exchange rule, agreements to which the Company is subject or usage. The Company shall approve the form of the Securities and any notation, legend or endorsement on them. Each Security shall be dated the date of its authentication.

SECTION 2.02 *Execution and Authentication.*

Two Officers shall sign the Securities for the Company by manual or facsimile signature. The Company's seal shall be reproduced on the Securities.

If an Officer whose signature is on a Security no longer holds that office at the time the Trustee authenticates the Security, the Security shall be valid nevertheless.

A Security shall not be valid until the Trustee manually signs the certificate of authentication on the Security. The signature of the Trustee shall be conclusive evidence that the Security has been authenticated under this Indenture.

The Trustee shall authenticate Securities for original issue in specified amounts upon a written order of the Company signed by two Officers. The order shall specify the amount of Securities to be authenticated and the date on which the original issue of Securities is to be authenticated. The aggregate principal amount of Securities outstanding at any time may not exceed the aggregate principal amount necessary to facilitate the exchange or exchanges, as the case may be, of the Convertible Exchangeable Preferred Stock except as provided in Section 2.07.

The Trustee's authentication of Securities pursuant to the next preceding paragraph shall be conditioned upon receipt of each of the following in form and substance satisfactory to the Trustee on or prior to each Exchange Date:

A. An Officers' Certificate to the effect that:

(1) All conditions required to be satisfied under the Certificate of Designation for an exchange of outstanding shares of Convertible Exchangeable Preferred Stock for Securities have been so satisfied on or prior to the relevant Exchange Date;

(2) The Indenture is duly qualified under the TIA; and

(3) No Event of Default (as defined in Section 8.01 hereof) shall have occurred and be continuing.

B. An Opinion of Counsel to the effect that:

(1) The execution and delivery of the Indenture, the issuance of the Securities to be issued on such date and the fulfillment of the terms herein and therein contemplated will not conflict with the charter or bylaws of the Company, or constitute a breach of or default under any material agreement, indenture, evidence of indebtedness, mortgage, deed of trust or other material agreement or instrument known to such counsel to which the Company is a party or by which it is bound, or any law, administrative regulation, rule, judgment, order or decree known to such counsel to be applicable to the Company or any of its properties;

(2) The Indenture has been duly authorized by the Company and, when executed and delivered by the Company, will be a legal, valid and binding agreement of the Company enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium and similar laws affecting the rights and remedies of creditors generally and by the effect of general principles of equity, whether applied by a court of law or equity;

(3) All legally required proceedings by the Company in connection with the authorization and issuance of the Securities to be issued on such date have been duly taken, and all orders, consents or other authorizations or approvals of any public board or body legally required for the validity of the Securities to be issued on such date have been obtained;

(4) The Indenture is duly qualified under the TIA; and

(5) The Securities to be issued on such date when executed and authenticated in accordance with the terms of this Indenture and delivered in exchange for the shares of outstanding Convertible Exchangeable Preferred Stock to be exchanged on such date, will be legal, valid and binding obligations of the Company enforceable in accordance with their terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium and similar laws affecting the rights and remedies of creditors generally and by the effect of general principles of equity, whether applied by a court of law or equity.

The Trustee may appoint an authenticating agent acceptable to the Company to authenticate Securities. Unless limited by the term of such appointment, an authenticating agent may authenticate Securities whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as an Agent to deal with the Company or an Affiliate of the Company.

The Securities shall be issuable only in registered form without coupons and only in denominations of $1,000 and any integral multiple thereof.

SECTION 2.03 *Registrar, Paying Agent and Conversion Agent,*

The Company shall maintain an office or agency where Securities may be presented for registration of transfer or for exchange ("Registrar"), an office or agency where Securities may be presented for payment ("Paying Agent"), an office or agency where Securities may be presented for conversion ("Conversion Agent") and an office or agency where notices and demands to or upon the Company in respect of the Securities and this Indenture may be served. The Registrar shall keep a register of the Securities and of their transfer and exchange. The Company may appoint one or more co-Registrars, one or more additional Paying Agents and one or more additional Conversion Agents. The term "Registrar" includes any co-Registrar. the term "Paying Agent" includes any additional Paying Agent and the term 'Conversion Agent" includes any additional Conversion Agent. The Company may change any Registrar, Paying Agent or Conversion Agent without notice to any Holder. If the Company fails to appoint or maintain another person as Registrar, Paying Agent or Conversion Agent, the Trustee shall act as such. The Company or any Affiliate of the Company may act as Registrar or Conversion Agent. Except for purposes of Article 10, the Company or any Affiliate of the Company may act as Paying Agent.

The Company shall enter into an appropriate agency agreement with any Agent not a party to this Indenture. The agreement shall implement the provisions of this Indenture that relate to such Agent. The Company shall promptly notify the Trustee of the name and address of any Agent not a party to this Indenture. If the Company fails to maintain a Registrar, Paying Agent, Conversion Agent or agent for service of notices and demands, or fails to give the foregoing notice, the Trustee shall act as such.

The Company initially appoints the Trustee as Registrar, Paying Agent, Conversion Agent and agent for service of notices and demands.

SECTION 2.04 *Paying Agent to Hold Money in Trust.*

Not later than each due date of the principal of or interest on any Securities, the Company shall deposit with the Paying Agent a sum of money in immediately available funds sufficient to pay such principal or interest so becoming due. Subject to Section 5.07, the Paying Agent shall hold in trust for the benefit of Securityholders or the Trustee all money held by the Paying Agent for the payment of principal of or interest on the Securities, and shall, notify the Trustee of any default by the Company in making any such payment. If the Company or an Affiliate of the Company acts as Paying Agent, it shall on or before each due date of the principal of or interest on any Securities segregate the money and hold it as a separate trust fund. The Company at any time may require a Paying Agent to pay all money held by it to the Trustee, and the Trustee may at any time during the continuance of any default, upon written request to a Paying Agent, require such Paying Agent to forthwith pay to the Trustee all sums so held in trust by such Paying Agent. Upon doing so, the Paying Agent (other than the Company) shall have no further liability for the money.

SECTION 2.05 *Holder Lists.*

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of the Holders. If the Trustee is not the Registrar, the Company shall promptly furnish to the Trustee on or before each interest payment date and at such other times as the Trustee may request in writing a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of the Holders.

SECTION 2.06 *Transfer and Exchange.*

When a Security is presented to the Registrar with a request to register a transfer thereof, the Registrar shall register the transfer as requested, and, when Securities are presented to the Registrar with a request to exchange them for an equal principal amount of Securities of other authorized denominations, the Registrar shall make the exchange as requested; provided that every Security presented or surrendered for registration of transfer or exchange shall be duly endorsed or be accompanied by a written instrument of transfer in form satisfactory to the Company and the Registrar duly executed by the Holder thereof or his attorney duly authorized in writing. To permit registration of transfers and exchanges, the Company shall execute and the Trustee shall authenticate Securities at the Registrar's request. The Company shall not be required (i) to issue, register the transfer of or exchange Securities during a period beginning at the opening of business on a Business Day 15 days before the day of any selection of Securities for redemption under Section 3.02 and ending at the close of business on the day of selection. (ii) to register the transfer of or exchange any Security so selected for redemption in whole or in part, except the unredeemed portion of any Security being redeemed in part or (iii) to register the transfer or exchange of a Security between the record date and the next succeeding interest payment date. Any exchange or transfer shall be without charge, except that the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto, but this provision shall not apply to any exchange pursuant to Section 2.10. 3.06 or 11.05. Prior to due presentment for registration of transfer of any Security, the Trustee, any Agent and the Company may deem and treat the Person in whose name any Security is registered as the absolute owner of such Security for the purpose of receiving payment of principal of and interest on such Security and for all other purposes whatsoever, whether or not such Security is overdue, and none of the Trustee, any Agent or the Company shall be affected by notice to the contrary.

SECTION 2.07 *Replacement Securities.*

If a mutilated Security is surrendered to the Trustee, or if the Holder of a Security claims that the Security has been lost, destroyed or wrongfully taken, and neither the Company nor the Trustee has received notice that such Security has been acquired by a bona fide purchaser, the Company shall issue and the Trustee shall authenticate a replacement Security if the requirements of Section 8-405 of the New York Uniform Commercial Code, as in effect on the date of this Indenture, are met, and there shall have been delivered to the Company and the Trustee evidence to their satisfaction of the loss, destruction or theft of any Security if such is the case. An indemnity bond may be required that is sufficient in the judgment of the Company and the Trustee to protect the Company, the Trustee or any Agent from any loss which any of them may suffer if a Security is replaced. The Company may charge the Holder for its expenses (including the fees and expenses of the Trustee) in replacing a Security. Every replacement Security is an additional obligation of the Company. The provisions of this Section 2.07 are exclusive and shall preclude all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

SECTION 2.08 *Outstanding Securities.*

The Securities outstanding at any time are all of the Securities authenticated by the Trustee, except for those cancelled by it, those delivered to it for cancellation and those described in this Section 2.08 as not outstanding.

If a Security is replaced pursuant to Section 2.07, it ceases to be outstanding until the Trustee receives proof satisfactory to it that the replaced Security is held by a bona fide purchaser.

If the Paying Agent (other than the Company or an Affiliate of the Company) holds on a redemption date or maturity date money sufficient to pay the principal of and accrued interest on Securities payable on that date, then on and after that date such Securities cease to be outstanding and interest on them ceases to accrue.

Subject to Section 2.09, a Security does not cease to be outstanding because the Company or an Affiliate of the Company holds the Security.

SECTION 2.09 *Treasury Securities.*

In determining whether the Holders of the required principal amount of Securities have concurred in any notice, direction, waiver or consent, Securities owned by the Company or by any Affiliate of the Company shall be disregarded, except that for purposes of determining whether the Trustee shall be protected in relying on any such notice, direction, waiver or consent, only Securities that a Trust Officer knows are so owned shall be so disregarded. Securities so owned that have been pledged in good faith shall not be disregarded if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to the Securities and that the pledgee is not the Company or any Affiliate of the Company.

SECTION 2.10 *Temporary Securities.*

Until definitive Securities are ready for delivery, the Company may prepare and, upon the order of the Company, the Trustee shall authenticate temporary Securities. Temporary Securities shall be substantially in the form of definitive Securities but may have variations that the Company considers appropriate for temporary Securities. Without unreasonable delay, the Company shall prepare and the Trustee shall authenticate definitive Securities in exchange for temporary Securities. Until such exchange, temporary Securities shall be entitled to the same rights, benefits and privileges as definitive Securities.

SECTION 2.11 *Cancellation.*

The Company at any time may deliver Securities to the Trustee for cancellation. The Registrar, Paying Agent and Conversion Agent shall forward to the Trustee any Securities surrendered to them for transfer, exchange, payment or conversion. The Trustee and no one else shall cancel all Securities surrendered for transfer, exchange, payment, conversion or cancellation. The Company may not issue new Securities to replace Securities it has paid or delivered to the Trustee for cancellation or which have been converted. All cancelled Securities shall be held by the Trustee and may be destroyed (and, if so destroyed, certification of their destruction shall be delivered to the Company) unless the Company shall direct in writing that the cancelled Securities be returned to it.

SECTION 2.12 *Defaulted Interest.*

If the Company defaults in a payment of interest on the Securities, it shall pay the defaulted interest in any lawful manner plus, to the extent lawful, interest payable on the defaulted interest, to the persons who are Holders on a subsequent special record date, which date shall be at least five Business Days prior to the payment date, in each case at the rate provided in the Securities and in Section 6.01. The Company shall, with the consent of the Trustee, fix or cause to be fixed each such special record date and payment date. At least 15 days before a special record date, the Company (or the Trustee in the name of and at the expense of the Company) shall mail to the Holders a notice that states the special record date, the related payment date and the amount of such interest to be paid.

SECTION 2.13 *CUSIP Numbers.*

The Company in issuing the Securities may use "CUSIP" numbers (if then generally in use), and, if so, the Trustee shall use "CUSIP " numbers in notices of redemption as a convenience to Holders; provided that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Securities or as contained in any notice of redemption and that reliance may be placed only on the other identification numbers printed on the Securities, and any such redemption shall not be affected by any defect in or omission of such numbers.

ARTICLE 3.
REDEMPTION

SECTION 3.01 *Right of Redemption, Mandatory Redemption or Repurchase.*

The Company will redeem the aggregate principal amount of Securities outstanding on March 15, 2003 at a redemption price of 100% of principal amount, plus accrued interest to the redemption date.

The Company may also redeem Securities pursuant to paragraph 5 of the Securities.

SECTION 3.02 *Notice to Trustee.*

If the Company elects to redeem Securities pursuant to paragraph 5 of the Securities, it shall notify the Trustee at least 60 days prior to the redemption date, as fixed by the Company (unless a shorter notice period shall be satisfactory to the Trustee), of the redemption date and the principal amount of Securities to be redeemed.

SECTION 3.03 *Selection of Securities to be Redeemed.*

If less than all of the Securities are to be redeemed, the Trustee shall, not more than 60 days prior to the redemption date, select the Securities to be redeemed pro rata or by a method that complies with applicable legal and stock exchange requirements, if any. The Trustee shall make the selection from the Securities outstanding and not previously called for redemption. Securities in denominations of $1,000 may only be redeemed in whole. The Trustee may select for redemption portions (equal to $1,000 or any integral multiple thereof) of the principal of Securities that have denominations larger than $1,000. Provisions of this Indenture that apply to Securities called for redemption also apply to portions of Securities called for redemption.

SECTION 3.04 *Notice of Redemption.*

At least 30 days but not more than 60 days before a redemption date, the Company shall mail a notice of redemption by first class mail to each Holder of Securities to be redeemed.

The notice shall identify the Securities to be redeemed and shall state:

(1) the redemption date:

(2) the redemption price;

(3) the then current conversion price;

(4) the name and address of the Paying Agent and the Conversion Agent;

(5) that Securities called for redemption must be surrendered to the Paying Agent to collect the redemption price:

(6) that the right to convert Securities called for redemption shall terminate at the close of business on the Business Day immediately preceding the redemption date;

(7) that Holders who wish to convert Securities must satisfy the requirements in paragraph 7 of the Securities;

(8) that, unless the Company defaults in making the redemption payment, interest on Securities called for redemption ceases to accrue on and after the redemption date, whereupon the only remaining right of the Holder is to receive payment of the redemption price upon surrender to the Paying Agent of the Securities;

(9) if any Security is being redeemed in part, the portion of the principal amount of such Security to be redeemed and that, after the redemption date, upon surrender of such Security, a new Security or Securities in principal amount equal to the unredeemed portion thereof will be issued; and

(10) the CUSIP number, if any, of the Securities to be redeemed.

At the Company's request, the Trustee shall give the notice of redemption in the Company's name and at the Company's expense.

SECTION 3.05 *Effect of Notice of Redemption.*

Once notice of redemption is mailed, Securities called for redemption become due and payable on the redemption date, subject to the provisions of Section 4.01, and at the redemption price. Upon surrender to the Paying Agent, such Securities shall be paid at the redemption price, plus accrued interest to the redemption date.

SECTION 3.06 *Deposit of Redemption Price.*

No later than the redemption date, the Company shall deposit with the Paying Agent (or, if the Company is its own Paying Agent, shall segregate and hold in trust), in immediately available hinds, a sum sufficient to pay the redemption price of and accrued interest on all Securities to be redeemed on that date, other than Securities or portions thereof called for redemption on that date that have been delivered by the Company to the Trustee for cancellation. The Paying Agent shall return to the Company any money not required for that purpose because of the conversion of Securities or otherwise.

If the Company complies with the preceding paragraph, interest on the Securities to be redeemed will cease to accrue on the applicable redemption date, whether or not such Securities are presented for payment. If any Security called for redemption shall not be so paid upon surrender for redemption because of the failure of the Company to comply with the preceding paragraph, interest will be paid on the unpaid principal from the redemption date until such principal is paid and, to the extent lawful, on any interest not paid on such unpaid principal, in each case at the rate provided in the Securities and in Section 6.01.

SECTION 3.07 *Securities Redeemed in Part.*

Upon surrender of a Security that is redeemed in part, the Company shall issue and the Trustee shall authenticate for the Holder a new Security equal in principal amount to the unredeemed portion of the Security surrendered.

ARTICLE 4.
CONVERSION

SECTION 4.01 *Conversion Privilege.*

A Holder of a Security may convert it into Common Stock of the Company at any time prior to maturity at the conversion price then in effect, except that, with respect to any Security called for redemption, such conversion right shall terminate at the close of business on the Business Day immediately preceding the redemption date (unless the Company shall default in making the redemption payment then due, in which case the conversion right shall terminate on the date such default is cured). The number of shares of Common Stock issuable upon conversion of a Security is determined by. dividing the principal amount to be converted by the Conversion Price in effect on the Conversion Date, and rounding the result to the nearest I/100th of a share.

The initial Conversion Price is stated in paragraph 9 of the Securities and is subject to adjustment as provided in this Article 4.

A Holder may convert a portion of a Security equal to $1,000 or any integral multiple thereof. Provisions of this indenture that apply to conversion of ail of a Security also apply to conversion of a portion of it.

SECTION 4.02 *Conversion Procedure.*

To convert a Security, a Holder must satisfy the requirements in paragraph 9 of the Securities. The date on which the Holder satisfies all of those requirements is the conversion date. As soon as practicable after the conversion date, the Company shall deliver to the Holder through the Conversion Agent a certificate for the number of whole shares of Common Stock issuable upon the conversion. The person in whose name the certificate is registered shall become the stockholder of record on the conversion date, and, as of such date, such person's rights as a Securityholder shall cease.

No payment or adjustment will be made for accrued interest on a converted Security or for dividends or distribution on shares of Common Stock issued upon conversion of a Security, but if any Holder surrenders a Security for conversion after the close of business on the record date for the payment of an installment of interest and prior to the opening of business on the next interest payment date, then, notwithstanding such conversion, the interest payable on such interest payment date shall be paid to the Holder of such Security on such record date. In such event, such Security, when surrendered for conversion, must be accompanied by payment of an amount equal to the interest payable on such interest payment date on the portion so converted. If such payment does not accompany such Security, the Security shall not be converted. If the Company defaults in the payment of interest payable on the interest payment date, the Trustee shall repay such funds to the Holder.

If a Holder converts more than one Security at the same time, the number of whole shares issuable upon the conversion shall be based on the total principal amount of Securities converted.

Upon surrender of a Security that is converted in part, the Company shall issue and the Trustee shall authenticate for the Holder a new Security equal in principal amount to the unconverted portion of the Security surrendered.

If the last day on which a Security may be converted is a Legal Holiday in a place where a Conversion Agent is located, the Security may be surrendered to that Conversion Agent on the next succeeding day that is not a Legal Holiday.

SECTION 4.03 *Fractional Shares.*

The Company will not issue fractional shares of Common Stock upon conversion of Securities. In lieu thereof, the number of shares of Common Stock issuable by the Company upon such conversion shall be rounded up to the nearest full share.

SECTION 4.04 *Taxes on Conversion.*

The issuance of certificates for shares of Common Stock upon the conversion of any Security shall be made without charge to the converting Securityholder for such certificates or any tax in respect of the issuance of such certificates, and such certificates shall be issued in the name of, or in such name or names as may be directed by. the Holder of the Security converted; provided, however, that in the event that certificates for shares of Common Stock are to be issued in a name other than the name of the Holder of the Security converted, such Security, when surrendered for conversion, shall be accompanied by an instrument of transfer, in form satisfactory to the Company, duly executed by the registered Holder thereof or his duly authorized attorney; and provided further, however, that the Company shall not be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of any such certificates in a name other than that of the Holder of the Security converted, and the Company shall not be required to issue or deliver such certificates unless or until the person or persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid or is not applicable.

SECTION 4.05 *Company to Provide Stock.*

The Company shall at all times reserve and keep available, free from preemptive rights, out of its authorized but unissued Common Stock, solely for the purpose of issuance upon conversion of Securities as herein provided, a number of shares of Common Stock sufficient to permit the conversion of all outstanding Securities.

All shares of Common Stock that may be issued upon conversion of the Securities shall be duly authorized, validly issued, fully paid and non-assessable when so issued.

SECTION 4.06 *Adjustment of Conversion Price.*

The conversion price (herein called the "Conversion Price") shall be subject to adjustment from time to time as follows:

(a) If the Company shall (1) pay a dividend in shares of Common Stock to holders of Common Stock. (2) make a distribution in shares of Common Stock to holders of Common Stock, (3) subdivide its outstanding shares of Common Stock into a greater number of shares of Common Stock or (4) combine its outstanding shares of Common Stock into a smaller number of shares of Common Stock, then, and in any such case, the Conversion Price in effect immediately prior to such action shall be adjusted so that the Holder of any Security thereafter surrendered for conversion shall be entitled to receive the number of shares of Common Stock that such Holder would have owned immediately following such action had such Securities been converted immediately prior thereto. An adjustment made pursuant to this subsection (a) shall become effective immediately after the record date in the case of a dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision or combination.

(b) If the Company shall issue rights or warrants to all holders of Common Stock entitling them (for a period commencing no earlier than the record date for the determination of holders of Common Stock entitled to receive such rights or warrants and expiring not more than 45 days after such record date) to subscribe for or purchase shares of Common Stock (or securities convertible into Common Stock) at a price per share less than the current market price (as determined pursuant to subsection (d) below) of the Common Stock on such record date, then, and in any such case, the Conversion Price shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately prior to such record date by a fraction of which the numerator shall be the number of shares of Common Stock outstanding on such record date plus the number of shares of Common Stock that the aggregate offering price of the offered shares of Common Stock (or the aggregate conversion price of the convertible securities so offered) would purchase at such current market price, and of which the denominator shall be the number of shares of Common Stock outstanding on such record date plus the number of additional shares of Common Stock offered (or into which the convertible securities so offered are convertible). Such adjustments shall become effective immediately after such record date.

(c) If the Company shall distribute to all holders of Common Stock shares of any class of capital stock other than Common Stock, evidences of indebtedness or other assets (other than cash dividends paid out of consolidated current or retained earnings), or shall distribute to all holders of Common Stock rights or warrants to subscribe for securities (other than those referred to in subsection (b) above), then, and in any such case, the Conversion Price shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the date of such distribution by a fraction of which the numerator shall be the market price of the Common Stock (determined as provided in subsection (d) of this Section) on the record date mentioned below less the then fair market value (as determined by the Board of Directors of the Company, whose determination shall be conclusive evidence of such fair market value) of the portion of the assets so distributed or of such subscription rights or warrants applicable to one share of Common Stock, and of which the denominator shall be such market price of the Common Stock. Such adjustment shall become effective immediately after the record date for the determination of the holders of Common Stock entitled to receive such distribution. Notwithstanding the foregoing, in the event that the Company shall distribute rights or warrants other than those referred to in subsection (b) above ("Rights") pro rata to holders of Common Stock, the Company may, in lieu of making any adjustment pursuant to this Section 4.06, make proper provision so that each Holder of a Security who converts such Security (or any portion thereof) after the record date for such distribution and prior to the expiration or redemption of the Rights shall be entitled to receive upon such conversion, in addition to the shares of Common Stock issuable upon such conversion (the "Conversion Shares"), a number of Rights to be determined as follows: (i) if such conversion occurs on or prior to the date for the distribution to the holders of Rights of separate certificates evidencing such Rights (the "Distribution Date"), the same number of Rights to which a holder of a number of shares of Common Stock equal to the number of Conversion Shares is entitled at the time of such conversion in accordance with the terms and provisions of and applicable to the Rights; and (ii) if such conversion occurs after the Distribution Date, the same number of Rights to which a holder of the number of shares of Common Stock into which the principal amount of the Security so converted was convertible immediately prior to the Distribution Date would have been entitled on the Distribution Date in accordance with the terms and provisions of and applicable to the Rights.

(d) The "market price" per share of Common Stock on any date shall be deemed to be the average of the daily closing prices for the first 20 consecutive trading days commencing 30 trading days before the day in question. The closing price for each day shall be the last reported sales price on the New York Stock Exchange.

(e) In any case in which this Section 4.06 shall require that an adjustment be made immediately following a record date, the Company may elect to defer (but only until five Business Days following the tiling by the Company with the Trustee of the certificate described in Section 4. l0) issuing to the holder of any Security converted after such record date the shares of Common Stock and other capital stock of the Company issuable upon such conversion over and above the shares of Common Stock and other capital stock of the Company issuable upon such conversion only on the basis of the Conversion Price prior to adjustment; and, in lieu of the shares the issuance of which is so deferred, the Company shall issue or cause its transfer agents to issue due bills or other appropriate evidence of the right to receive such shares.

SECTION 4.07 *No Adjustment.*

No adjustment in the Conversion Price shall be required until cumulative adjustments amount to 1% or more of the Conversion Price as last adjusted; provided, however, that any adjustments which by reason of this Section 4.07 are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Article 4 shall be made to the nearest cent or to the nearest 1/100th of a share, as the case may be.

No adjustment need be made for a transaction referred to in paragraph (a), (b) or (c) of Section 4.06 if all Holders are entitled to participate in the transaction on a basis and with notice that the Board of Directors determines to be fair and appropriate in light of the basis and notice on which holders of Common Stock participate in the transaction.

No adjustments need be made for rights to purchase Common Stock pursuant to a Company plan for reinvestment of dividends or interest.

No adjustment need be made for a change in the par value of the Common Stock.

To the extent the Securities become convertible into cash, no adjustment need be made thereafter as to the cash. Interest will not accrue on the cash.

Notwithstanding anything herein to the contrary, the Conversion Price shall not be less than the par value per share of the Common Stock. In the event an adjustment provided for herein would result in a Conversion Price of less than such par value per share, such adjusted Conversion Price shall be such par value per share.

SECTION 4.08 *Equivalent Adjustments.*

In the event that, as a result of an adjustment made pursuant to Section 4.06 above, the holder of any Security thereafter surrendered for conversion shall become entitled to receive any shares of capital stock of the Company other than shares of its Common Stock, thereafter the Conversion Price of such other shares so receivable upon conversion of any Securities shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to Common Stock contained in this Article 4.

SECTION 4.09 *Adjustments for Tax Purposes.*

The Company may make such reductions in the Conversion Price, in addition to those required by paragraphs (a), (b) and (c) of Section 4.06, as it considers to be advisable in order that any event treated for federal income tax purposes as a dividend of stock or stock rights shall not be taxable to the recipients thereof.

SECTION 4.10 *Notice of Adjustments.*

Whenever the Conversion Price is adjusted, the Company shall promptly mail to Securityholders a notice of the adjustment and file with the Trustee an Officers' Certificate briefly stating the facts requiring the adjustment and the manner of computing it. The certificate shall be conclusive evidence of the correctness of such adjustment, absent manifest error.

SECTION 4.11 *Notice of Certain Transactions.*

If:

(1) the Company takes any action that would require an adjustment in the Conversion Price and if the Company does not let Holders participate pursuant to Section 4.07;

(2) the Company takes any action that would require a supplemental indenture pursuant to Section 4.12: or

(3) there is a liquidation or dissolution of the Company,

then a Holder of a Security may wish to convert such Security into shares of Common Stock prior to the record date for or the effective date of the transaction so that he may receive the rights, warrants, securities or assets that a holder of shares of Common Stock on that date may receive. Therefore, the Company shall mail to Securityholders and the Trustee a notice stating the proposed record or effective date, as the case may be. The Company shall mail the notice at least 10 days before such date; provided, however, that failure to mail such notice, or any defect therein, shall not affect the validity of any transaction referred to in clause (1), (2) or (3) of this Section 4.11.

SECTION 4.12 *Effect of Reclassifications, Consolidations, Mergers or Sales on Conversion Privilege.*

If any of the following shall occur, namely: (i) any reclassification or change of outstanding shares of Common Stock issuable upon conversion of Securities (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination), (ii) any consolidation or merger to which the Company is a party other than a merger in which the Company is the successor corporation and which does not result in any reclassification of, or change (other than a change in name, or par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination) in, outstanding shares of Common Stock or (iii) any transfer (other than a pledge) or lease of all or substantially all of the property or business of the Company as an entirety, then the Company, or such successor or purchasing corporation, as the case may be, shall, as a condition precedent to such reclassification, change, consolidation, merger, transfer or lease, execute and deliver to the Trustee a supplemental indenture providing that the Holder of each Security then outstanding shall have the right to convert such Security into the kind and amount of shares of capital stock and other securities and assets (including cash) receivable upon such reclassification, change, consolidation, merger, transfer or lease by a holder of the number of shares of Common Stock deliverable upon conversion of such Security immediately prior to such reclassification, change, consolidation, merger, transfer or lease. Such supplemental indenture shall provide for adjustments of the Conversion Price which shall be as nearly equivalent as may be practicable to the adjustments of the Conversion Price provided for in this Article 4. If this Section 4.12 applies, then Section 4.06(a) does not apply. This Section 4.12, however, shall in no way affect the right a holder of a Security may otherwise have, pursuant to clause (ii) of the last sentence of Section 4.06(c), to receive Rights upon conversion of a Security. If, in the case of any such consolidation, merger, transfer or lease, the capital stock and other securities and assets (including cash) receivable thereupon by a holder of Common Stock includes shares of capital stock or other securities or assets of a corporation other than the successor or purchasing corporation, as the case may be, in such consolidation, merger, transfer or lease, then such supplemental indenture shall also be executed by such other corporation and shall contain such additional provisions to protect the interests of the Holders as the Board of Directors shall reasonably consider necessary by reason of the foregoing. The provisions of this Section 4.12 shall similarly apply to successive consolidations, mergers, transfers or leases.

In the event the Company shall execute a supplemental indenture pursuant to this Section 4.12, the Company shall promptly file with the Trustee an Officers' Certificate briefly stating the reasons therefor. the kind or amount of shares of capital stock or securities or assets (including cash) receivable by Holders upon the conversion of their Securities after any such reclassification, change, consolidation, merger, transfer or lease and any adjustment to be made with respect thereto.

SECTION 4.13 *Trustee's Disclaimer.*

The Trustee has no duty to determine when an adjustment under this Article 4 should be made, how it should be made or what such adjustment should be, but may accept as conclusive evidence of the correctness of any such adjustment, and shall be protected in relying upon, the Officers' Certificate with respect thereto which the Company is obligated to file with the Trustee pursuant to Section 4.10. The Trustee makes no representation as to the validity or value of any securities or assets issued upon conversion of Securities, and the Trustee shall not be responsible for the Company's failure to comply with any provisions of this Article 4.

The Trustee shall not be under any responsibility to determine the correctness of any provisions contained in any supplemental indenture executed pursuant to Section 4.12, but may accept as conclusive evidence of the correctness thereof, and shall be protected in relying upon, the Officers' Certificate with respect thereto which the Company is obligated to file with the Trustee pursuant to Section 4.12.

SECTION 4.14 *Change of Control.*

(a) *Definition of a Change of Control.* A "Change of Control" of the Company shall be deemed to have occurred if at any time (the "Change of Control Date"), (i) all or substantially all of the assets of the Company or Ethan Allen are sold as an entirety to any person or related group of persons. (ii) the Company or Ethan Allen is merged with or into another corporation or another corporation other than the Company or a wholly owned Subsidiary of the Company is merged with or into Ethan Allen with the effect that immediately after such transaction the Company holds less than the entire interest of the total voting power entitled to vote in the election of directors, managers or trustees of the person surviving such transaction, (iii) any person or related group of persons other than the Company acquires an interest (other than a pledge) of the voting power or voting stock of Ethan Allen, any person or related group of persons collectively acquires by way of merger, consolidation or other business combination, greater than 50% of the total voting power entitled to vote in the election of directors, managers or trustees of the Company or such other person surviving the transaction, the persons constituting the Board of Directors of the Company on March 23, 1993 or persons nominated or elected to the Board of Directors of the Company by a majority vote of such directors (the "Continuing Directors") or by a majority vote of the Continuing Directors shall not constitute a majority of the members of the Board of Directors of the Company or (vi) Ethan Allen issues any capital stock which is not owned by the Company.

(b) *Conversion Option*. Subject to the provisions of the Securities Exchange Act of 1934. as amended (or any successor statute), if there shall occur a Change of Control, each Holder shall have the option (the "Conversion Option") at any time from the Change of Control Date until the expiration of 45 days after the date of a notice by the Company to all Holders of the occurrence of the Change of Control to convert such Holder's Securities into shares of Common Stock (with any fractional amount with respect to such conversion rounded up to the nearest whole share) at a conversion price (the "Special Conversion Price") determined by dividing (E) the principal amount of the Securities to be converted by (2) the average of the daily closing prices (calculated in accordance with Section 4.06(d) hereof) of the Common Stock for the five trading days immediately prior to the Change of Control Date; provided, however, that the Special Conversion Price will not be more than $23.40. Exercise of the Conversion Option will be irrevocable.

(c) *Notice of Change of Control and Conversion Option*. Within five days after the Change of Control Date, the Company shall give notice of the occurrence of the Change of Control and of the Conversion Option set forth herein in accordance with the procedures set forth below to each Holder (the "Conversion Notice").

Each Conversion Notice shall state:

(1) that a Change of Control has occurred (and shall specify the Change of Control Date) and that the Holder's Conversion Option may be exercised in accordance with this Section 4.14 and paragraph 7(c) of the Securities and that the Conversion Option is in addition to, and not in lieu of, the Holder's regular conversion rights;

(2) the expiration date of the Conversion Option and the Special Conversion Price for each $1,000 principal amount of Securities;

(3) that to exercise the Conversion Option a Holder must deliver on or before the fifth day prior to the expiration date of the Conversion Option written notice to the Company of the Holder's exercise of such option, together with the certificates evidencing such Holder's Securities with respect to which the option is being exercised, duly endorsed for transfer;

(4) a description of the procedure which a Holder must follow to exercise the Conversion Option;

(5) that Holders electing to have such Securities converted will be required to surrender the certificates evidencing such Securities for delivery of shares of Common Stock; and

(6) that the Company may exercise its redemption right set forth in Section 4.14(d) hereof with respect to the Securities surrendered in connection with the Conversion Option.

The Conversion Notice shall be given by first class mail, postage prepaid, to the Holders at their respective addresses as the same shall appear on the books of the Company.

No failure of the Company to give the foregoing notice shall limit any Holder's right to exercise a Conversion Option.

(d) *Optional Redemption upon a Change of Control.* Notwithstanding anything to the contrary contained herein, the Company may, at its option elect to pay any Holder that exercises a Conversion Option an amount of cash equal to the principal amount of the Securities to be converted, plus an amount equal to the interest accrued and unpaid thereon to the date of such payment.

ARTICLE 5.
SUBORDINATION

SECTION 5.01 *Securities Subordinated to Senior Indebtedness.*

The Company agrees, and each Holder by accepting a Security consents and agrees, that the indebtedness evidenced by the Securities, including the payment of the principal thereof and interest thereon, shall be subordinate and junior in right of payment, to the extent and in the manner set forth in this Article 5, to the prior payment in full of all Senior Indebtedness. All Securities of this issue rank as to payment of principal and interest equally and ratably, without priority one over the other. The provisions of this Article 5 are made for the benefit of all holders of Senior Indebtedness and any such holder may proceed to enforce such provisions.

Notwithstanding anything contained in this Indenture or the Securities to the contrary, all the provisions of this Indenture and the Securities shall be subject to the provisions of this Article 5, so far as they may be applicable thereto.

SECTION 5.02 *Securities Subordinated to Prior Payment of All Senior Indebtedness on Dissolution, Liquidation, Reorganization. etc., of the Company.*

Upon any payment or distribution of the assets of the Company of any kind or character, whether in cash, property or securities (including any collateral at any time securing the Securities), to creditors upon any dissolution, winding-up, total or partial liquidation, or reorganization of the Company (whether voluntary or involuntary, or in bankruptcy, insolvency, reorganization, liquidation, receivership proceedings, or upon an assignment for the benefit of creditors, or any other marshalling of the assets and liabilities of the Company, or otherwise), then in such event:

(a) all Senior Indebtedness shall first be paid in full (including principal thereof and interest thereon) in cash or cash equivalents, before any payment is made on account of the Securities;

(b) any payment or distribution of assets of the Company of any kind or character, whether in cash. property or securities (other than securities of the Company as reorganized or readjusted, in all such cases or securities of the Company or any other company, trust or corporation provided for by a plan of reorganization or readjustment. in all such cases junior, or the payment of which is otherwise subordinate, at least to the extent provided in this Article 5 with respect to the Securities, to the payment of all Senior Indebtedness at the time outstanding and to the payment of all securities issued in exchange therefor to the holders of the Senior Indebtedness at the time outstanding), to which the Holders or the Trustee on behalf of the Holders would be entitled except for the provisions of this Article 5. shall be paid or delivered by any debtor, Custodian or other person making such payment or distribution, directly to the holders of the Senior Indebtedness or their representative or representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing any of such Senior Indebtedness may have been issued, ratably according to the aggregate amounts remaining unpaid on account of the Senior Indebtedness held or represented by each, for application to payment of all Senior Indebtedness remaining unpaid, to the extent necessary to pay all Senior Indebtedness in full after giving effect to any concurrent payment or distribution, or provision therefor, to the holders of such Senior Indebtedness; and

(c) in the event that, notwithstanding the foregoing provisions of this Section 5.02, any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities (other than securities of the Company as reorganized or readjusted, or securities of the Company or any other company, trust or corporation provided for by a plan of reorganization or readjustment, in all such cases junior, or the payment of which is otherwise subordinate, at least to the extent provided for in this Article 5 with respect to the Securities, to the payment of all Senior Indebtedness at the time outstanding and to the payment of all securities issued in exchange therefor to the holders of Senior Indebtedness at the time outstanding), shall be received by the Trustee or the Holders before all Senior Indebtedness is paid in full in cash or cash equivalents such payment or distribution shall be held in trust for the benefit of, and shall be immediately paid or delivered by the Trustee or such Holders, as the case may be, to the Holders of Senior indebtedness remaining unpaid or unprovided for, or their representative or representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing any of such Senior Indebtedness may. have been issued, ratably according to the aggregate amounts remaining unpaid on account of the Senior Indebtedness held or represented by each, for application to the payment of all Senior Indebtedness remaining unpaid, to the extent necessary to pay all Senior Indebtedness in full after giving effect to any concurrent payment or distribution, or provision therefor, to the holders of such Senior Indebtedness.

The Company shall give prompt notice to the Trustee of any dissolution, winding-up, liquidation or reorganization of the Company.

Upon any distribution of assets of the Company referred to in this Article 5, the Trustee, subject to the provisions of Sections 9.01 and 9.02, and the Holders shall be entitled to rely upon any order or decree by any court of competent jurisdiction in which such dissolution, winding-up, liquidation or reorganization proceeding is pending. or a certificate of the liquidating trustee or agent or other person making any distribution to the Trustee or to the Holders, for the purpose of ascertaining the persons entitled to participate in such distribution, the holders of the Senior Indebtedness and other indebtedness of the Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article 5.

SECTION 5.03 *Company Not to Make Payment with Respect to Securities in Certain Circumstances.*

(a) Upon the happening of a default in payment of the principal of or interest on any Senior Indebtedness, as such default is defined under any such Senior Indebtedness or in any agreement pursuant to which any Senior Indebtedness has been issued, then, unless and until the amount of such Senior Indebtedness then due shall have been paid in full or provision made therefor in a manner satisfactory to the holders of such Senior Indebtedness, or such default shall have been cured or waived or shall have ceased to exist, no payment shall be made by the Company with respect to the principal of or interest on the Securities.

(b) During the continuance of any default with respect to any Senior Indebtedness, as such default is defined under any such Senior Indebtedness or in any agreement pursuant to which any Senior Indebtedness has been issued, which, after the giving of notice or the passage of time, or both, would constitute an event of default which would permit the holder or holders of such Senior Indebtedness to accelerate the maturity thereof (other than default of the type specified in Section 5.03(a)), and after written notice of such default has been given to the Company and the Trustee by the holder or holders of such Senior Indebtedness or their representative or representatives, or upon written notice thereof given to the Company by the holders of such Senior Indebtedness or their representative or representatives and given to the Trustee by the Company, then, unless and until such default shall have been cured or waived or shall have ceased to exist, or provision shall have been made for the payment, in a manner satisfactory to the holder or holders of such Senior Indebtedness, of all principal of and interest on such Senior Indebtedness that would be due in the event of the acceleration of the maturity thereof, no payment shall be made by the Company with respect to the principal of or interest on the Securities.

(c) In the event that, notwithstanding the foregoing provisions of this Section 5.03, any payment on account of principal of or interest on the Securities shall be made by or on behalf of the Company and received by the Trustee, any Holder or any Paying Agent (or. if the Company is acting as its own Paying Agent, money for any such payment shall be segregated and held in trust), after the happening of a default under any Senior Indebtedness of the type specified in Section 5.03(a) above, then, unless and until the amount of such Senior Indebtedness then due shall have been paid in full, or provision made thereof or such default shall have been cured or waived, such payment (subject, in each case, to the provisions of Sections 5.07 and 5.08) shall be held in trust for the benefit of, and shall be immediately paid over to, the holders of Senior indebtedness or their representative or representatives or the trustee or trustees under any indenture under which any instruments evidencing any of the Senior Indebtedness may have been issued, ratably according to the aggregate amounts remaining unpaid on account of the principal of any interest on the Senior Indebtedness held or represented by each, for application to the payment of all Senior Indebtedness remaining unpaid to the extent necessary to pay all Senior Indebtedness in accordance with its terms, after giving effect to any concurrent payment or distribution to or for the benefit of the holders of Senior Indebtedness. The Company shall give prompt written notice to the Trustee of any default under any Senior Indebtedness or under any agreement pursuant to which Senior Indebtedness may have been issued.

SECTION 5.04 *Payment Permitted if No Default.*

Nothing contained in this Article 5 or elsewhere in this Indenture or in any of the Securities shall prevent the Company, at any time except during the pendency of any case, proceeding, dissolution, liquidation or other winding-up, assignment for the benefit of creditors or other marshalling of assets and liabilities of the Company referred to in Section 5.02 or under the conditions described in Section 5.03, from making payments at any time of principal of (and premium, if any, on) or interest on the Securities or any other amount payable by the Company under the Securities or this Indenture.

SECTION 5.05 *Holders to be Subrogated to Right of Holders of Senior Indebtedness.*

Subject to the payment in full in cash and cash equivalents of ail Senior Indebtedness, the Holders shall be subrogated (equally and ratably with the holders of ail subordinated indebtedness of the Company which by its terms is not superior in right of payment to the Securities and ranks on a parity with the Securities) to the rights of the holders of Senior Indebtedness to receive payments or distributions of assets of the Company applicable to the Senior Indebtedness until the principal of and interest on the Securities shall be paid in full, and, for purposes of such subrogation, no payments or distributions to the holders of Senior Indebtedness of assets, whether in cash, property or securities, distributable to the holders of Senior Indebtedness under the provisions hereof to which the Holders would be entitled except for the provisions of this Article 5, and no payment pursuant to the provisions of this Article 5 to the holders of Senior Indebtedness by the Holders shall, as among the Company, its creditors other than the holders of Senior Indebtedness, and the Holders, be deemed to be a payment by the Company to or on account of Senior Indebtedness, it being understood that the provisions of this Article 5 are, and are intended, solely for the purpose of defining the relative rights of the Holders, on the one hand, and the holders of Senior Indebtedness, on the other hand.

SECTION 5.06 *Obligations of the Company Unconditional.*

Nothing contained in this Article 5 or elsewhere in this Indenture or in any Security is intended to or shall impair, as among the Company, its creditors other than the holders of Senior Indebtedness and the Holders, the obligation of the Company, which is absolute and unconditional, to pay to the Holders the principal of and interest on the Securities, as and when the same shall become due and payable in accordance with the terms of the Securities, or to affect the relative rights of the Holders and other creditors of the Company other than the holders of Senior Indebtedness, nor shall anything herein or therein prevent the Trustee or any Holder from exercising all remedies otherwise permitted by applicable law upon the happening of an Event of Default under this Indenture, subject to the provisions of Article 8, and the rights, if any, under this Article 5 of the holders of Senior Indebtedness in respect of assets, whether in cash, property or securities, of the Company received upon the exercise of any such remedy. Nothing contained in this Article 5 or elsewhere in this Indenture or in the Securities shall, except during the pendency of any dissolution, winding-up, liquidation or reorganization of the Company, affect the obligation of the Company to make, or prevent the Company from making, at any time (except under the circumstances described in Section 5.05) payment of principal of or interest on the Securities.

SECTION 5.07 *Trustee Entitled to Assume Payments Not Prohibited in Absence of Notice.*

The Trustee shall not at any time be charged with knowledge of the existence of any facts which would prohibit the making of any payment to or by the Trustee, unless and until the Trustee shall have received written notice thereof from the Company or from the holder or holders of Senior Indebtedness, or debt guaranteed by such Senior Indebtedness, or from their representative or representatives; and, prior to the receipt of any such notice, the Trustee, subject to the provisions of Sections 9.01 and 9.02. shall be entitled to assume conclusively that no such facts exist.

The Trustee shall be entitled to rely on the delivery to it of a written notice by a person representing himself to be a holder of Senior Indebtedness (or a representative of such holder) to establish that such notice has been given by a holder of Senior Indebtedness or a representative of any such holder. In the event that the Trustee determines in good faith that further evidence is required with respect to the right of any person as a holder of Senior Indebtedness to participate in any payment or distribution pursuant to this Article 5, the Trustee may request such person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of Senior Indebtedness held by such person, the extent to which such person is entitled to participate in such payment or distribution and any other facts pertinent to the rights of each person under this Article 5. and if such evidence is not furnished, the Trustee may defer any payment to such person pending judicial determination as to the right of such person to receive such payment.

SECTION 5.08 *Application by Trustee of Monies Deposited with It.*

Money or U.S. Government Obligations deposited in trust with the Trustee pursuant to and in accordance with Section 10.01 shall be for the sole benefit of Securityholders and shall not be subject to the subordination provisions of this Article 5. Otherwise, any deposit of monies by the Company with the Trustee or any Paying Agent (whether or not in trust) for the payment of the principal of or interest on any Securities shall be subject to the provisions of Sections 5.01, 5.02, 5.03 and 5.05; except that, if two Business Days prior to the date on which by the terms of this Indenture any such monies may become payable for any purpose (including, without limitation, the payment of either the principal of or interest on any Security), the Trustee shall not have received with respect to such monies the written notice provided for in Section 5.07. then the Trustee or any Paying Agent shall have full power and authority to receive such monies and to apply such monies to the purpose for which they were received and shall not be affected by any notice to the contrary which may be received by it on or after such date. This Section 5.08 shall be construed solely for the benefit of the Trustee and the Paying Agent and shall not otherwise affect the rights that holders of Senior Indebtedness may have to recover any such payments from the Holders in accordance with the provisions of this Article 5.

SECTION 5.09 *Subordination Not Impaired.*

No right of any present or future holders of any Senior Indebtedness to enforce subordination, as herein provided, shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of the Company or by any act or failure to act, in good faith, by any such holder, or by any noncompliance by the Company with the terms, provisions and covenants of this Indenture, regardless of any knowledge thereof which any such holder may have or be otherwise charged with. The holders of any Senior Indebtedness may extend, renew, modify or amend the terms of such Senior Indebtedness or any security therefor and release, sell or exchange such security and otherwise deal freely with the Company, all without affecting the liabilities and obligations of the parties to this Indenture or the Holders. No provision in any supplemental indenture that affects the superior position of the holders of the Senior Indebtedness shall be effective against the holders of the Senior Indebtedness who have not consented thereto.

SECTION 5.10 *Holders Authorize Trustee to Effectuate Subordination of Securities.*

Without purporting to limit the authority of the Trustee as may be appropriate in other circumstances, each Holder of any Security, by acceptance thereof, irrevocably authorizes and expressly directs the Trustee on behalf of such Holder to take such action as may be necessary or appropriate to effectuate, as between the Holders of the Securities and the holders of Senior Indebtedness, the subordination provided in this Article 5 and appoints the Trustee his attorney-in-fact for such purpose, including, in the event of any dissolution, winding-up or liquidation or reorganization under Bankruptcy Law of the Company (whether in bankruptcy, insolvency or receivership proceedings or otherwise), the timely filing of a claim for the unpaid balance of such Holder's Securities in the form required in such proceedings, and the causing of such claim to be approved. If the Trustee does not file a proper claim or proof of debt in the form required in such proceedings prior to 30 days before the expiration of the time to file such claims or proofs, then any of the holders of Senior Indebtedness have the right to demand, sue for, collect, receive and receipt for the payments and distributions in respect of the Securities that are required to be paid or delivered to the holders of Senior Indebtedness as provided in this Article 5, and to file and prove all claims therefor and to take all such other action in the name of the Holders or otherwise, as any such holder of Senior Indebtedness or such holder's representative may determine to be necessary or appropriate for the enforcement of the provisions of this Article 5.

SECTION 5.11 *Right of Trustee to Hold Senior Indebtedness.*

The Trustee, in its individual capacity, shall be entitled to all of the rights set forth in this Article 5 in respect of any Senior Indebtedness at any time held by it to the same extent as any other holder of Senior Indebtedness, and nothing in this Indenture shall be construed to deprive the Trustee of any of its rights as such holder.

SECTION 5.12 *Article 5 Not to Prevent Events of Default.*

The failure to make a payment on account of the principal of or interest on the Securities by reason of any provision in this Article 5 shall not be construed as preventing the occurrence of an Event of Default under Section 8.01.

SECTION 5.13 *Trustee Not Fiduciary for Holders of Senior Indebtedness.*

The Trustee shall not be deemed to owe any fiduciary duty to the holders of Senior Indebtedness and shall not be liable to any such holders if the Trustee shall in good faith mistakenly pay over or distribute to Holders of Securities or to the Company or to any other person cash, property or securities to which any holders of Senior Indebtedness shall be entitled by virtue of this Article 5 or otherwise. The Trustee shall not be charged with knowledge of the existence of Senior Indebtedness or of any facts that would prohibit any payment hereunder unless a Trust Officer of the Trustee shall have received notice to that effect at the address of the Trustee set forth in Section 12.02. With respect to the holders of Senior Indebtedness, the Trustee undertakes to perform or to observe only such of its covenants or obligations as are specifically set forth in this Article 5, and no implied covenants or obligations with respect to holders of Senior Indebtedness shall be read into this Indenture against the Trustee.

ARTICLE 6.
COVENANTS

SECTION 6.01 *Payment of Securities.*

The Company shall pay the principal of and interest on the Securities on the dates and in the manner provided in the Securities and this Indenture. An installment of principal or interest shall be considered paid on the date due if the Paying Agent (other than the Company or an Affiliate of the Company) holds by 5:00 P.M., New York City time, on that date a sum of money in immediately available funds designated for and sufficient to pay the installment. The Company shall pay interest on overdue principal at the rate borne by the Securities per annum: it shall pay interest on overdue installments of interest at the same rate to the extent lawful.

SECTION 6.02 *SEC Reports.*

The Company shall file all reports and other documents that it is required to file with the SEC pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and, within 15 days after it files them with the SEC, the Company shall file copies of all such reports and other documents with the Trustee. The Company shall cause any quarterly and annual reports that it mails to its stockholders to be mailed to the Holders.

If the Company is not subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, the Company shall prepare, for the first three quarters of each fiscal year, quarterly financial statements substantially equivalent to the financial statements required to be included in a report on Form 10-Q under the Exchange Act. The Company shall also prepare, on an annual basis, complete audited consolidated financial statements, including, but not limited to, a balance sheet, .a statement of income and retained earnings, a statement of cash flows and all appropriate notes. All such financial statements shall be prepared in accordance with generally accepted accounting principles consistently applied. except for changes with which the Company's independent accountants concur, and except that quarterly statements may be subject to year-end adjustments. The Company shall cause a copy of such financial statements to be filed with the Trustee and mailed to the Holders of the Securities within 60 days after the close of each of the first three quarters of each fiscal year and within 120 days after the close of each fiscal year. The Company shall also comply with the other provisions of TIA § 314(a).

SECTION 6.03 *Waiver of Usury Defense.*

The Company covenants (to the extent that it may lawfully do so) that it shall not assert, plead (as a defense or otherwise) or in any manner whatsoever claim (and shall actively resist any attempt to compel it to assert, plead or claim) in any action, suit or proceeding that the interest rate on the Securities violates present or future usury or other laws relating to the interest payable on any indebtedness and shall not otherwise avail itself (and shall actively resist any attempt to compel it to avail itself) of the benefits or advantages of any such laws.

SECTION 6.04 *Liquidation.*

Neither the Board of Directors nor the stockholders of the Company shall adopt a plan of liquidation that provides for, contemplates or the effectuation of which is preceded by (a) the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Company otherwise than substantially as an entirety (Article 7 of this Indenture being the Article that governs any such sale, lease, conveyance or other disposition substantially as an entirety) and (b) the distribution of all or substantially all of the proceeds of such sale, lease, conveyance or other disposition and of the remaining assets of the Company to the holders of the capital stock of the Company, unless the Company shall in connection with the adoption of such plan make provision for, or agree that prior to making any liquidating distributions it will make provision for, the satisfaction of the Company's obligations hereunder and under the Securities as to the payment of the principal thereof and interest thereon. The Company shall be deemed to make provision for such payments only if (1) the Company irrevocably deposits in trust with the Trustee money or U.S. Government Obligations maturing as to principal and interest in such amounts and at such times as are sufficient, without consideration of any reinvestment of such interest, to pay the principal of and interest on the Securities then outstanding to maturity and to pay all other sums payable by it hereunder or (2) there is an express assumption of the due and punctual payment of the Company's obligations hereunder and under the Securities and the performance and observance of all covenants and conditions to be performed by the Company hereunder by the execution and delivery of a supplemental indenture in form satisfactory to the Trustee by a person who acquires, or will acquire (otherwise than pursuant to a lease), a portion of the assets of the Company, and which person will have assets (immediately after the acquisition) and aggregate earnings (for such person's four full fiscal quarters immediately preceding such acquisition) equal to not less than the assets of the Company (immediately preceding such acquisition) and the aggregate earnings of the Company (for its four full fiscal quarters immediately preceding the acquisition), respectively, and which is a corporation organized under the laws of the United States, any State thereof or the District of Columbia; provided, however, that the Company shall not make any liquidating distribution until after the Company shall have certified to the Trustee with an Officers' Certificate at least five days prior to the making of any liquidating distribution that it has complied with the provisions of this Section 6.04. Notwithstanding the foregoing, the provisions of this Section 6.04 shall be subject to Article 5 hereof.

SECTION 6.05 *Compliance Certificates.*

The Company shall deliver to the Trustee, within 120 days after the end of each fiscal year of the Company, an Officers' Certificate as to the signers' knowledge of the Company's compliance with all conditions and covenants on its part contained in this Indenture and stating whether or not the signers know of any default or Event of Default. If they do know of such a default or Event of Default, the Certificate shall describe the default or Event of Default and the efforts to remedy the same. For the purposes of this Section 6.05, compliance shall be determined without regard to any grace period or requirement of notice provided pursuant to the terms of this Indenture. One of the signers of the Officers' Certificate shall be the principal executive officer, the principal financial officer or the principal accounting officer of the Company.

SECTION 6.06 *Corporate Existence.*

Subject to Section 6.04 and Article 7, the Company shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and rights (charter and statutory); provided, however, that the Company shall not be required to preserve any right if the Board of Directors shall determine that the preservation is no longer desirable in the conduct of the Company's business and that the loss thereof is not, and will not be. adverse in any material respect to the Holders.

SECTION 6.07 *Payment of Taxes and Other Claims.*

The Company will pay or discharge or cause to be paid or discharged, before the same shall become delinquent, (I) all material taxes, assessments and governmental charges levied or imposed upon the Company, directly or by reason of its ownership of any Subsidiary or upon the income, profits or property of the Company; and (2) all material lawful claims for labor, materials and supplies, which, if unpaid, might by law become a lien upon the property of the Company; provided, however, that the Company shall not be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings and for which adequate provision has been made.

SECTION 6.08 *Maintenance of Properties.*

The Company will cause all material properties owned, leased or licensed in the conduct of its or Ethan Allen's business to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and will cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof and thereto, all as in the judgment of the Company may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times while any Securities are outstanding; provided, however, that nothing in this Section 6.08 shall prevent the Company from discontinuing the maintenance of any such properties if. in the judgment of the Board of Directors, such discontinuance is desirable in the conduct of the Company's business and is not, and will not be, adverse in any material respect to the Holders.

SECTION 6.09 *Purchase of Securities at Option of the Holder upon Change of Control.*

(a) If at any time that Securities remain outstanding there shall have occurred a Change of Control. Securities shall be purchased by the Company at the option of the Holder thereof, at a purchase price (the "Change of Control Purchase Price") equal to the principal amount thereof plus accrued interest to the Change of Control Purchase Date (as hereinafter defined), as of the date that is 40 Business Days after the occurrence of the Change of Control (the "Change of Control Purchase Date"), subject to satisfaction by or on behalf of the Holder of the requirements set forth in Section 6.09(c) and the condition precedent set forth in the next succeeding sentence.

(b) Within 20 Business Days after the occurrence of a Change of Control, the Company shall mail a written notice of Change of Control by first-class mail to the Trustee and to each Holder (and to beneficial owners as required by applicable law) and shall cause a copy of such notice to be published in a daily newspaper of national circulation (which shall be The Wall Street Journal unless it is not then so circulated). The notice shall include the form of a Change of Control Purchase Notice (as defined below) to be completed by the Holder and shall state:

(1) the date of such Change of Control and, briefly, the events causing such Change of Control;

(2) the date by which the Change of Control Purchase Notice pursuant to this Section 6.09 must be given;

(3) the Change of Control Purchase Date:

(4) the Change of Control Purchase Price;

(5) briefly, the conversion rights of the Securities;

(6) the name and address of the Paying Agent and the Conversion Agent;

(7) the Conversion Price and any adjustments thereto;

(8) that Securities as to which a Change of Control Purchase Notice has been given may be converted into Common Stock only to the extent that the Change of Control Purchase Notice has been withdrawn in accordance with the terms of this Indenture;

(9) the procedures that the Holder must follow to exercise rights under this Section 6.09;

(10) the procedures for withdrawing a Change of Control Purchase Notice, including a form of notice of withdrawal;

(11) that the Holder must satisfy the requirements set forth in the Securities in order to convert the Securities.

(c) A Holder may exercise its rights specified in Section 6.09(a) upon delivery of a written notice of the exercise of such rights (a "Change of Control Purchase Notice") to the Paying Agent at any time prior to the close of business on the Change of Control Purchase Date, stating:

(1) the certificate number of each Security that the Holder will deliver to be purchased;

(2) the portion of the principal amount of each Security that the Holder will deliver to be purchased. which portion must be $1.000 or an integral multiple thereof; and

(3) that such Security shall be purchased pursuant to the terms and conditions specified in this Indenture.

The delivery of such Security to the Paying Agent prior to. on or after the Change of Control Purchase Date (together with all necessary endorsements) at the office of the Paying Agent shall be a condition to the receipt by the Holder of the Change of Control Purchase Price therefor; provided, however, that such Change of Control Purchase Price shall be so paid pursuant to this Section 6.09 only if the Security so delivered to the Paying Agent shall conform in all respects to the description thereof set forth in the related Change of Control Purchase Notice.

The Company shall purchase from the Holder thereof, pursuant to this Section 6.09, a portion of a Security if the principal amount of such portion is $1,000 or an integral multiple of $1,000. Provisions of this Indenture that apply to the purchase of all of a Security pursuant to Sections 6.09 through 6.14 also apply to the purchase of such portion of such Security.

Notwithstanding anything herein to the contrary, any Holder delivering to the Paying Agent the Change of Control Purchase Notice contemplated by this Section 6.09(c) shall have the right to withdraw such Change of Control Purchase Notice in whole or in a portion thereof that is $1,000 or in an integral multiple thereof at any time prior to the close of business on the Change of Control Purchase Date by delivery of a written notice of withdrawal to the Paying Agent in accordance with Section 6.10.

The Paying Agent shall promptly notify the Company of the receipt by it of any Change of Control Purchase Notice or written withdrawal thereof.

(d) Prior to complying with the foregoing provisions, but in any event within 90 days of a Change in Control, the Company will either repay all indebtedness and terminate all commitments outstanding under the Credit Agreement or obtain the requisite consents, if any, under the Credit Agreement required to permit the repurchase of Securities required by this covenant.

SECTION 6.10 *Effect of Change of Control Purchase Notice.*

Upon receipt by the Paying Agent of the Change of Control Purchase Notice specified in Section 6.09(c), the Holder of the Security in respect of which such Change of Control Purchase Notice was given shall (unless such Change of Control Purchase Notice is withdrawn as specified below) thereafter be entitled to receive solely the Change of Control Purchase Price with respect to such Security. Such Change of Control Purchase Price shall be paid to such Holder promptly following the later of (i) the Change of Control Purchase Date with respect to such Security (provided the conditions in Section 6.09(c) have been satisfied) and (ii) the time of delivery of such Security to the Paying Agent by the Holder thereof in the manner required by Section 6.09(c). Securities in respect of which a Change of Control Purchase Notice has been given by the Holder thereof may not be converted into shares of Common Stock on or after the date of the delivery of such Change of Control Purchase Notice unless such Change of Control Purchase Notice has first been validly withdrawn.

A Change of Control Purchase Notice may be withdrawn by means of a written notice of withdrawal delivered to the office of the Paying Agent at any time prior to the close of business on the Change of Control Purchase Date to which it relates, specifying:

(1) the certificate number of each Security in respect of which such notice of withdrawal is being submitted.

(2) the principal amount of the Security or portion thereof with respect to which such notice of withdrawal is being submitted, and

(3) the principal amount, if any, of such Security that remains subject to the original Change of Control Purchase Notice and that has been or will be delivered for purchase by the Company.

There shall be no purchase of any Securities pursuant to Section 6.09 if there has occurred (prior to. on or after, as the case may be. the giving, by the Holders of such Securities, of the required Change of Control Purchase Notice) and is continuing an Event of Default (other than a default in the payment of the Change of Control Purchase Price with respect to such Securities) or the payment of which would be prohibited by Article 5 hereof.

SECTION 6.11 *Deposit of Change of Control Purchase Price.*

On or before the Business Day following a Change of Control Purchase Date, the Company shall deposit with the Trustee or with the Paying Agent (or, if the Company is acting as the Paying Agent, shall segregate and hold in trust as provided in Section 2.04) an amount of money sufficient to pay the aggregate Change of Control Purchase Price of all the Securities or portions thereof that are to be purchased as of such Change of Control Purchase Date.

If the Paying Agent holds, in accordance with the terms hereof, money sufficient to pay the Change of Control Purchase Price of any Security on the Business Day following the Change of Control Purchase Date, then, on and after the Change of Control Purchase Date, such Security will cease to be outstanding and interest on such Security will cease to accrue and will be deemed paid, whether or not such Security is delivered to the Paying Agent, and all other rights of the Holder in respect thereof shall terminate (other than the right to receive the Change of Control Purchase Price upon delivery of such Security).

SECTION 6.12 *Securities Purchased in Part.*

Any Security that is to he purchased only in part shall be surrendered at the office of the Paying Agent (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or such Holder's attorney duly authorized in writing), and the Company shall execute and the Trustee shall authenticate and deliver to the Holder of such Security, without service charge, a new Security or Securities, of such authorized denomination or denominations as may be requested by such Holder, in aggregate principal amount equal to, and in exchange for, the portion of the principal amount of the Security so surrendered that is not purchased.

SECTION 6.13 *Compliance with Securities Laws upon Purchase of Securities.*

In connection with any offer to purchase or purchase of Securities under Section 6.09 hereof (provided that such offer or purchase constitutes an "issuer tender offer" for purposes of Rule 13e-4 (which term, as used herein, includes any successor provision thereto) at the time of such offer or purchase), the Company shall (i) comply with Rule 13e-4 and Rule 14e-1 under the Exchange Act, (ii) file the related Schedule 13E-4 (or any successor schedule, form or report) under the Exchange Act, and (iii) otherwise comply with all Federal and state securities laws so as to permit the rights of the Holders and obligations of the Company under Sections 6.09 through 6.12, to be exercised in the time and in the manner specified therein.

SECTION 6.14 *Repayment to the Company.*

Subject to the provisions of Section 5.07 to the extent that the aggregate amount of cash deposited by the Company pursuant to Section 6.11 exceeds the aggregate Change of Control Purchase Price of the Securities or portions thereof to be purchased, then promptly after the Business Day following the Change of Control Purchase Date the Trustee or the Paying Agent, as the case may be, shall return any such excess to the Company.

ARTICLE 7.
SUCCESSOR CORPORATION

SECTION 7.01 *When Company May Merge, etc.*

The Company shall not consolidate with or merge with or into, or sell, transfer, lease or convey all or substantially all of its assets to, any person unless:

(a) the person formed by or surviving any such consolidation or merger (if other than the Company), or to which such sale, transfer, lease or conveyance shall have been made, is a corporation organized and existing under the laws of the United States, any state thereof or the District of Columbia;

(b) the corporation formed by or surviving any such consolidation or merger (if other than the Company), or to which such sale, transfer, lease or conveyance shall have been made, assumes by supplemental indenture in a form reasonably satisfactory to the Trustee all the obligations of the Company under the Securities and this Indenture (in which case all such obligations of the Company shall terminate); and

(c) immediately after the transaction no default or Event of Default exists.

The Company shall deliver to the Trustee prior to the consummation of the proposed transaction an Officers' Certificate to the foregoing effect and an Opinion of Counsel stating that the proposed transaction and such supplemental indenture comply with this Section 7.01. The Trustee shall be entitled to rely conclusively upon such Officers' Certificate and Opinion of Counsel.

SECTION 7.02 *Successor Corporation Substituted.*

Upon any consolidation or merger, or any sale, transfer, lease, conveyance or other disposition of all or substantially all of the assets of the Company in accordance with Section 7.01, the successor corporation formed by such consolidation or into or with which the Company is merged or to which such sale, transfer, lease, conveyance or other disposition is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor corporation had been named as the Company herein; and thereafter, except in the case of a lease, the predecessor corporation shall be relieved of all obligations and covenants under this Indenture and the Securities.

ARTICLE 8.
DEFAULT AND REMEDIES

SECTION 8.01 *Events of Default.*

An "Event of Default" occurs if:

(1) the Company defaults in the payment of interest on any Security when the same becomes due and payable and the default continues for a period of 30 days;

(2) the Company defaults in the payment of the principal of any Security when the same becomes due and payable at maturity, upon redemption or otherwise;

(3) the Company fails to comply with any of its other agreements or covenants in, or provisions of, the Securities or this Indenture and the default continues for the period and after the notice specified in this Section 8.01;

(4) a default occurs under any mortgage, indenture or other instrument under which there may be secured or evidenced any indebtedness for money borrowed by the Company or any of its Subsidiaries (or the payment of which is guaranteed by the Company or any of its Subsidiaries) other than (i) indebtedness of the Company or any Subsidiary to the Company or any Subsidiary and (ii) indebtedness of any unconsolidated Subsidiary that is nonrecourse to the Company and its consolidated Subsidiaries and with respect to which the Company and its consolidated Subsidiaries have no liability, whether such indebtedness or guarantee now exists or shall be created hereafter, if (a) as a result of such default the maturity of such indebtedness has been accelerated prior to its stated maturity, and (h) the principal amount of such indebtedness, together with the principal amount of any other such indebtedness with respect to which the principal amount remains unpaid upon its final stated maturity (after the expiration of any applicable grace period), or the maturity of which has been so accelerated, aggregates $30,000,000 or more;

(5) the Company or any Significant Subsidiary pursuant to or within the meaning of any Bankruptcy Law;

(A) commences a voluntary case;

(B) consents to the entry of an order for relief against it in an involuntary case;

(C) consents to the appointment of a Custodian of it or for all or substantially all of its property; or

(D) makes a general assignment for the benefit of its creditors; or

(6) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(A) is for relief against the Company or any Significant Subsidiary in an involuntary case or proceeding;

(B) appoints a Custodian of the Company or any Significant Subsidiary or for all or substantially all of the property of any of them; or

(C) orders the liquidation of the Company or any Significant Subsidiary; and the order or decree remains unstayed and in effect for 60 days.

The term "Bankruptcy Law" means Title 11, U.S. Code or any similar federal or state law for the relief of debtors. The term "Custodian" means any receiver, trustee, assignee, liquidator, sequestrator or similar official under any Bankruptcy Law.

A default under clause (3) is not an Event of Default until the Trustee notifies the Company, or until the Holders of at least 30% in principal amount of the Securities then outstanding notify the Company and the Trustee, of the default, and the Company does not cure the default within 60 days after receipt of such notice. The notice given pursuant to this Section 8.01 must specify the default, demand that it be remedied and state that the notice is a "Notice of Default." When a default is cured, it ceases

Subject to the provisions of Sections 9.01 and 9.02, the Trustee shall not be charged with knowledge of any Event of Default unless written notice thereof shall have been given to a Trust Officer at the principal corporate trust office of the Trustee by the Company, the Paying Agent, any Holder or an agent of any Holder.

SECTION 8.02 *Acceleration.*

If an Event of Default (other than an Event of Default specified in Section 8.01(5) or (6) with respect to the Company) occurs and is continuing, the Trustee may, by written notice to the Company, or the Holders of at least 30% (or 25% in the case of an Event of Default specified in Section 8.01(1) or (2)) in principal amount of the Securities then outstanding may, by written notice to the Company and the Trustee, and the Trustee shall, upon the request of such Holders, declare the unpaid principal of and any accrued but unpaid interest on all the Securities to be due and payable. Upon such declaration the principal and interest shall be due and payable immediately; provided, however, that if any Indebtedness is outstanding under the Credit Agreement at the time of such declaration, then such amount shall not become due and payable until the earlier of (x) the date in which the Indebtedness under the Credit Agreement is accelerated, or (y) the fifth day following the date of such declaration. In the event of a declaration of acceleration because an Event of Default specified in Section 8.01(4) has occurred and is continuing, such declaration of acceleration shall be automatically annulled if such payment default is cured or waived or the holders of the indebtedness that is the subject of such Event of Default have rescinded their declaration of acceleration in respect of such indebtedness within 60 days thereof and the Trustee has received written notice of such cure, waiver or rescission and no other Event of Default under Section 8.01(4) has occurred that has not been cured or waived within 60 days of the declaration of acceleration of such indebtedness in respect thereof. If an Event of Default specified in Section 8.01(5) or (6) occurs with respect to the Company, the unpaid principal of and any accrued but unpaid interest on all the Securities shall ipso facto become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Securityholder. The Holders of a majority in principal amount of the Securities then outstanding by written notice to the Trustee may rescind an acceleration and its consequences if (i) all existing Events of Default, other than the nonpayment of the principal of the Securities that has become due solely by such declaration of acceleration, have been cured or waived; (ii) to the extent the payment of such interest is lawful, interest on overdue installments of interest, and overdue principal that has become due otherwise than by such declaration of acceleration, has been paid: (iii) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction; and (iv) all payments due the Trustee and any predecessor Trustee under Section 9.07 have been made. Anything herein contained to the contrary notwithstanding, in the event of any acceleration pursuant to this Section 8.02 the Company shall not be obligated to pay any premium that it would have had to pay if it had then elected to redeem the Securities pursuant to paragraph 5 of the Securities, except in the case of any Event of Default reason of any willful action (or inaction) taken (or not taken) by or on behalf of the Company with the intention of avoiding payment of the premium that it would have had to pay if it had then elected to redeem the Securities pursuant to paragraph 5 of the Securities, in which case an equivalent premium shall also become and be immediately due and payable to the extent permitted by law.

SECTION 8.03 *Other Remedies.*

If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy by proceeding at law or in equity to collect the payment of the principal of or interest on the Securities or to enforce the performance of any provision of the Securities or this Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Securities or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Securityholder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. All available remedies are cumulative to the extent permitted by law.

SECTION 8.04 *Waiver of Defaults and Events of Default.*

Subject to Sections 8.07 and 11.02. the Holders of a majority in principal amount of the Securities then outstanding by notice to the Trustee may waive an existing default or Event of Default and its consequences, except a default in the payment of the principal of or interest on any Security as specified in clauses (1) and (2) of Section 8.01. When a default or Event of Default is waived, it is cured and ceases.

SECTION 8.05 *Control by Majority.*

The Holders of a majority in principal amount of the Securities then outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on it; provided, however, that the Trustee may refuse to follow any direction that conflicts with law or this Indenture, that the Trustee reasonably determines may be unduly prejudicial to the rights of another Securityholder or may involve the Trustee in personal liability; and provided further that the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction.

SECTION 8.06 *Limitation on Suits.*

A Holder may not pursue any remedy with respect to this Indenture or the Securities unless:

(1) the Holder gives to the Trustee written notice of a continuing Event of Default;

(2) the Holders of at least 30% (or 25% in the case of an Event of Default specified in Section 8.01(1) or 8.01(2)) in principal amount of the then outstanding Securities make a written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer and, if requested, provide the Trustee indemnity and security satisfactory to the Trustee against any loss, liability or expense (including attorneys' fees and expenses);

(4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer and, if requested, the provision of indemnity and security; and

(5) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the Securities then outstanding.

A Securityholder may not use this Indenture to prejudice the rights of another Securityholder or to obtain a preference or priority over such other Securityholder.

SECTION 8.07 *Rights of Holders to Receive Payment.*

Notwithstanding any other provision of this Indenture, but subject to Article 5 hereof, the right of any Holder to receive payment of principal of and interest on a Security, on or after the respective due dates expressed in the Security, or to bring suit for the enforcement of any such payment on or after such respective dates, is absolute and unconditional and shall not be impaired or affected without the consent of the Holder.

SECTION 8.08 *Collection Suit by Trustee.*

If an Event of Default specified in Section 8.01(1) or (2) occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the Company for the whole amount of principal and accrued interest remaining unpaid, together with interest on overdue principal and, to the extent that payment of such interest is lawful, interest on overdue installments of interest, in each case at the rate per annum borne by the Securities, and such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

SECTION 8.09 *Trustee May File Proofs of Claim.*

The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and attorneys) and the Holders allowed in any judicial proceedings relative to the Company, its creditors or its property and shall be entitled and empowered to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same, and any Custodian in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 9.07. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or the Trustee to authorize or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 8.10 *Priorities.*

If the Trustee collects any money pursuant to this Article 8, it shall, subject to the provisions of Article 5, pay out the money in the following order:

First: to the Trustee for amounts due under Section 9.07;

Second: to the holders of Senior Indebtedness to the extent required by Article 5;

Third: to the Holders for amounts due and unpaid on the Securities for principal and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Securities for principal and interest, respectively: and

Fourth: to the Company.

The Trustee may fix a record date and payment date for any payment to the Holders pursuant to this Section 8.10.

SECTION 8.11 *Undertaking for Costs.*

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 8.11 does not apply to a suit instituted by the Trustee, to a suit instituted by Holders of more than 10% in principal amount of the Securities then outstanding, or to any suit instituted by any Holder for the enforcement of the payment of the principal of or interest on the Securities, on or after the respective due dates expressed in such Securities.

ARTICLE 9.
TRUSTEE

SECTION 9.01 *Duties of Trustee.*

(a) If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

(b) Except during the continuance of an Event of Default:

(1) the Trustee need perform only those duties as are specifically set forth in this Indenture and no others; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. The Trustee, however, shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture.

(c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(1) this paragraph does not limit the effect of paragraph (b) of this Section 9.01;

(2) the Trustee shall not be liable for any error of judgment made in good faith by a Trust Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(3) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 8.05.

(d) The Trustee may refuse to perform any duty or exercise any right or power unless it receives indemnity and security satisfactory to it against any loss, liability, expense or fee.

(e) Every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b), (c) and (d) of this Section 9.01.

(f) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Company. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

SECTION 9.02 *Rights of Trustee.*

Subject to Section 9.01:

(a) The Trustee may rely upon (and shall be protected in acting or refraining from acting upon) any document believed by it to be genuine and to have been signed or presented by the proper person. The Trustee need not investigate any fact or matter stated in the document.

(b) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel, which shall conform to Section 12.04(b). The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Certificate or Opinion.

(c) The Trustee may act through its agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers.

(e) The Trustee may consult with counsel of its selection and the advice or opinion of such counsel as to matters of law that shall be full and complete authorization and protection in respect of any action taken, omitted or suffered by it hereunder in good faith and in accordance with the advice or opinion of such counsel.

SECTION 9.03 *Individual Rights of Trustee.*

Subject to Sections 9.10 and 9.11, the Trustee in its individual or any other capacity may become the owner or pledgee of Securities and may otherwise deal with the Company or an Affiliate of the Company with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights.

SECTION 9.04 *Trustee's Disclaimer.*

The Trustee makes no representation as to the validity or adequacy or the Company's performance of this Indenture or the Securities, it shall not be accountable for the Company's use of the proceeds from the Securities, and it shall not be responsible for any statement in the Securities other than its certificate of authentication.

SECTION 9.05 *Notice of Defaults or Events of Default.*

If a default or an Event of Default occurs and is continuing and if it is known to the Trustee, the Trustee shall mail to each Holder notice of the default or Event of Default within 90 days after it occurs. Except in the case of a default or an Event of Default in payment of the principal of or interest on any Security, the Trustee may withhold such notice if and so long as a committee of its Trust Officers in good faith determines that withholding the notice is in the interest of the Holders.

SECTION 9.06 *Reports by Trustee to Holders.*

Within 60 days after each May 15 beginning with the May 15 following the date of this Indenture, the Trustee shall, if required by TIA § 313(a), mail to each Holder a brief report dated as of such May 15 that complies with TIA § 313(a). The Trustee also shall comply with TIA § 313(b).

A copy of each report at the time of its mailing to the Holders shall be mailed to the Company and filed with the SEC and each securities exchange, if any, on which the Securities are listed. The Company shall promptly notify the Trustee whenever the Securities become listed on any securities exchange.

SECTION 9.07 *Compensation and indemnity.*

The Company shall pay to the Trustee from time to time such compensation for its services as the Company and the Trustee shall from time to time agree to in writing (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust). The Company shall reimburse the Trustee upon request for all reasonable disbursements, expenses and advances incurred or made by it, including the compensation and the expenses and disbursements of its agents and counsel.

The Company shall indemnify the Trustee for, and hold it harmless against, any and all loss, damage, claims, liability or expense, including taxes (other than taxes based upon, measured by or determined by the income of the Trustee), arising out of or in connection with the acceptance or administration of the trust or trusts hereunder, including the costs and expenses of enforcing this Indenture against the Company and of defending itself against any claim (whether asserted by any Holder or the Company) or liability in connection with the exercise or performance of any of its powers or duties hereunder, except to the extent that such loss, damage, claim, liability or expense is due to its own negligence or had faith. The Trustee shall notify the Company promptly of any claim asserted against the Trustee for which it may seek indemnity. The Company shall defend the claim and the Trustee shall cooperate in the defense. The Trustee may have separate counsel and the Company shall pay the reasonable fees and expenses of such counsel. The Company need not pay for any settlement made without its written consent.

To secure the Company's payment obligations in this Section, the Trustee shall have a senior claim to which the Securities are hereby made subordinate on all money or property held or collected by the Trustee, except such money or property held in trust to pay the principal of and interest on particular Securities.

When the Trustee incurs expenses or renders services after an Event of Default specified in Section 8.01(5) or (6) occurs, the expenses and the compensation for the services are intended to and shall constitute expenses of administration under any Bankruptcy Law.

The provisions of this Section 9.07 shall survive the termination of this Indenture.

SECTION 9.08 *Replacement of Trustee.*

The Trustee may resign by so notifying the Company. The Holders of a majority in principal amount of the Securities then outstanding may remove the Trustee by so notifying the Trustee and may appoint a successor Trustee with the Company's written consent. The Company may remove the Trustee if:

(1) the Trustee fails to comply with Section 9.10:

(2) the Trustee is adjudged a bankrupt or an insolvent;

(3) a receiver or other public officer takes charge of the Trustee or its property; or

(4) the Trustee becomes incapable of acting.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company shall promptly appoint a successor Trustee.

If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Company or the Holders of at least 10% in principal amount of the Securities then outstanding may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee fails to comply with Section 9.10, any Holder who has been a bona fide holder of the Securities for at least six months may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Immediately after that, the retiring Trustee shall transfer all property held by it as Trustee to the successor Trustee, the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. A successor Trustee shall mail notice of its succession to each Holder.

Notwithstanding replacement of the Trustee pursuant to this Section 9.08, the Company's obligations under Section 9.07 hereof shall continue for the benefit of the retiring Trustee.

SECTION 9.09 *Successor Trustee by Merger, etc.*

If the Trustee consolidates with, merges or converts into, or transfers all or substantially all of its corporate trust assets to, another corporation, the resulting, surviving or transferee corporation without any further act shall be the successor Trustee, provided such transferee corporation shall qualify and be eligible under Section 9.10.

SECTION 9.10 *Eligibility; Disqualification.*

This Indenture shall always have a Trustee who satisfies the requirements of paragraphs (I), (2) and (5) of TIA § 310 (a) and has a capital and surplus of at least $50,000,000. If at any time the Trustee shall cease to satisfy any such requirements, it shall resign immediately in the manner and with the effect specified in this Article 9, The Trustee shall be subject to the provisions of TIA § 301(b). Nothing herein shall prevent the Trustee from filing with the SEC the application referred to in the penultimate paragraph of TIA § 301(h).

SECTION 9.11 *Preferential Collection of Claims Against Company.*

The Trustee shall comply with TIA § 311(a), excluding any creditor relationship listed in TIA § 311(b). A trustee who has resigned or been removed shall be subject to TIA § 311(a) to the extent indicated therein.

ARTICLE 10.
SATISFACTION AND DISCHARGE OF INDENTURE

SECTION 10.01 *Termination of Company's Obligations.*

The Company may terminate all of its obligations under the Securities and this Indenture (except those obligations referred to in the immediately succeeding paragraph) if all Securities previously authenticated and delivered (other than destroyed, lost or stolen Securities that have been replaced or paid or Securities for whose payment money has theretofore been held in trust and thereafter repaid to the Company, as provided in Section 10.03) have been delivered to the Trustee for cancellation and the Company has paid all sums payable by it hereunder, or if the Company irrevocably deposits in trust with the Trustee money or U.S. Government Obligations maturing as to principal and interest in such amounts and at such times as are sufficient (in the reasonable opinion of a nationally recognized firm of independent accountants) to pay the principal of and interest on the Securities then outstanding to maturity or redemption and to pay all other sums payable by it hereunder. The Company may make an irrevocable deposit pursuant to this Section 10.01 only if at such time it is not prohibited from doing so under the provisions of Article 5 and the Company shall have delivered to the Trustee and any such Paying Agent an Officers' Certificate to that effect.

The Company's obligations in paragraph I l of the Securities and in Sections 2.03, 2.04, 2.05, 2.06. 2.07, 6.01, 9.07, 9.08 and 10.04 and in Article 4 shall survive until the Securities are no longer outstanding. Thereafter, the Company's obligations in such paragraph 11 and in Section 9.07 shall survive.

After such irrevocable deposit, the Trustee upon request shall acknowledge in writing the discharge of the Company's obligations under the Securities and this Indenture, except for those surviving obligations specified above.

"U.S. Government Obligations" means direct non-callable obligations of. or non-callable obligations guaranteed by, the United States of America for the payment of which guarantee or obligation the full faith and credit of the United States is pledged.

SECTION 10.02 *Application of Trust Money.*

The Trustee or Paying Agent shall hold in trust, for the benefit of the Holders, money or U.S. Government Obligations deposited with it pursuant to Section 10.01 and shall apply the deposited money and the money from U.S. Government Obligations in accordance with this Indenture to the payment of the principal of and interest on the Securities. Money and U.S. Government Obligations so held in trust shall not be subject to the subordination provisions of Article 5.

SECTION 10.03 *Repayment to Company.*

Subject to Section 10.01, the Trustee and the Paying Agent shall promptly pay to the Company upon written request any excess money or U.S. Government Obligations held by them at any time.

The Trustee and the Paying Agent shall pay to the Company upon written request any money held by them for the payment of principal or interest that remains unclaimed for two years after a right to such money has matured: provided, however, that the Trustee or such Paying Agent, before being required to make any such payment, may at the expense of the Company cause to be published once in a newspaper of general circulation in The City of New York or mail to each Holder entitled to such money notice that such money remains unclaimed and that, after a date specified therein, which shall be at least 30 days from the date of such publication or mailing, any unclaimed balance of such money then remaining will be repaid to the Company. After payment to the Company, Securityholders entitled to money must look to the Company for payment as general creditors unless otherwise prohibited by law.

SECTION 10.04 *Reinstatement.*

If the Trustee or Paying Agent is unable to apply any money or U.S. Government Obligations in accordance with Section 10.02 by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Company's obligations under this Indenture and the Securities shall be revived and reinstated as though no deposit had occurred pursuant to Section 10.01 until such time as the Trustee or Paying Agent is permitted to apply all such money or U.S. Government Obligations in accordance with Section 10.02: provided, however, that, if the Company has made any payment of the principal of or interest on any Securities because of the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Securities to receive any such payment from the money or U.S. Government Obligations held by the Trustee or Paying Agent.

ARTICLE 11.
AMENDMENTS, SUPPLEMENTS AND WAIVERS

SECTION 11.01 *Without Consent of Holders.*

The Company and the Trustee may amend or supplement this Indenture or the Securities without notice to or consent of any Holder:

(a) to comply with Sections 6.04 and 7.01;

(b) to comply with any requirements of the SEC in connection with the qualification of this Indenture under the TIA as then in effect;

(c) to provide for uncertificated Securities in addition to or in place of certificated Securities;

(d) to provide for Securities in hearer form in addition to Securities in registered form; or

(e) to cure any ambiguity, detect or inconsistency, or to make any other change that does not adversely affect the legal rights hereunder of any Holder.

SECTION 11.02 *With Consent of Holders.*

The Company and the Trustee may amend or supplement this Indenture or the Securities without notice to any Holder but with the written consent of the Holders of a majority in principal amount of the Securities then outstanding. The Holders of a majority in principal amount of the Securities then outstanding may waive compliance in a particular instance by the Company with any provision of this Indenture or the Securities without notice to any Holder. Subject to Section 11.04, without the consent of each Holder affected, however, an amendment, supplement or waiver, including a waiver pursuant to Section 8.04, may not:

(1) reduce the principal amount of Securities the Holders of which must consent to an amendment, supplement or waiver;

(2) reduce the rate of or change the time for payment of interest on any Security;

(3) reduce the principal of or change the fixed maturity of any Security or alter the redemption provisions with respect thereto;

(4) alter the conversion provisions with respect to any Security in a manner adverse to the Holder thereof;

(5) waive a default in the payment of the principal of or interest on any Security;

(6) make any changes in Section 8.01, 8.07 or this sentence;

(7) make any change in Article 5 that adversely affects the rights of any Holder; or

(8) make any Security payable in money other than that stated in the Security.

It shall not be necessary for the consent of the Holders under this Section to approve the particular form of any proposed amendment, supplement or waiver, but it shall be sufficient if such consent approves the substance thereof.

After an amendment, supplement or waiver under this Section becomes effective, the Company shall mail to the Holders affected thereby a notice briefly describing the amendment, supplement or waiver. Any failure of the Company to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such amendment, supplement or waiver.

An amendment under this Section 11.02 may not make any change that adversely affects the rights under Article 5 of any holder of an issue of Senior Indebtedness unless the holders of that issue, pursuant to its terms, consent to the change.

SECTION 11.03 *Compliance with Trust Indenture Act.*

Every amendment to or supplement of this Indenture or the Securities shall comply with the TIA as in effect at the date of such amendment or supplement.

SECTION 11.04 *Revocation and Effect of Consents.*

Until an amendment or waiver becomes effective, a consent to it by a Holder is a continuing consent by the Holder and every subsequent Holder of a Security or portion of a Security that evidences the same indebtedness as the consenting Holder's Security, even if notation of the consent is not made on any Security; provided, however, that any such Holder or subsequent Holder may revoke the consent as to such Holder's Security or portion of a Security if the Trustee receives the notice of revocation before the date the amendment, supplement or waiver becomes effective.

After an amendment, supplement or waiver becomes effective, it shall bind every Holder, unless it makes a change described in any of clauses (I) through (8) of Section 11.02. In that case the amendment, supplement or waiver shall hind each Holder of a Security who has consented to it and every subsequent Holder of a Security or portion of a Security that evidences the same indebtedness as the consenting. Holder's Security.

SECTION 11.05 *Notation On or Exchange of Securities.*

If an amendment, supplement or waiver changes the terms of a Security, the Trustee may require the Holder of the Security to deliver it to the Trustee. The Trustee may place an appropriate notation on the Security about the changed terms and return it to the Holder. Alternatively, if the Company or the Trustee so determines, the Company in exchange for the Security shall issue and the Trustee shall authenticate a new Security that reflects the changed terms.

SECTION 11.06 *Trustee to Sign Amendments, etc.*

The Trustee shall sign any amendment or supplement authorized pursuant to this Article 11 if the amendment or supplement does not adversely affect the rights, duties, liabilities or immunities of the Trustee. If it does, the Trustee may but need not sign it. In signing or refusing to sign such amendment or supplement, the Trustee shall be entitled to request and receive and, subject to Section 9.01, shall be fully protected in relying upon, an Opinion of Counsel stating that such amendment or supplement is authorized or permitted by this Indenture. The Company may not sign an amendment or supplement until the Board of Directors approves it.

ARTICLE 12.
MISCELLANEOUS

SECTION 12.01 *Trust Indenture Act Controls.*

If any provision of this Indenture limits, qualifies or conflicts with the duties imposed by any of Sections 310 to 317. inclusive of the TIA through operation of Section 3I8(c) thereof, such imposed duties shall control.

SECTION 12.02 *Notices.*

Any notice or communication shall be given in writing and delivered in person or mailed by certified or registered mail, return receipt requested, addressed as follows:

if to the Company:

Ethan Allen Interiors Inc.
Ethan Allen Drive
Danbury. Connecticut 06811

if to the Trustee:

[ ]

Such notices or communications shall be effective when received.

The Company or the Trustee by notice to the other may designate additional or different addresses for subsequent notices or communications.

Any notice or communication mailed to a Holder shall be mailed by first-class mail to such Holder at such Holder's address shown on the register kept by the Registrar.

Failure to mail a notice or communication to a Holder, or any defect in it, shall not affect its sufficiency with respect to other Holders. if a notice or communication to a Holder is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

SECTION 12.03 *Communications by Holders With Other Holders.*

Securityholders may communicate pursuant to TIA § 312(b) with other Holders with respect to their rights under this Indenture or the Securities. The Company, the Trustee, the Registrar and any other person shall have the protection of TIA § 312(c).

SECTION 12.04 *Certificate and Opinion as to Conditions Precedent.*

(a) Upon any request or application by the Company to the Trustee to take any action under this Indenture, the Company shall furnish to the Trustee at the request of the Trustee:

(1) an Officers' Certificate stating that, in the opinion of the signers, all conditions precedent (including any covenants compliance with which constitutes a condition precedent), if any, provided for in this Indenture relating to the proposed action have been complied with; and

(2) an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent (including any covenants compliance with which constitutes a condition precedent) have been complied with.

(b) Each Officers' Certificate and Opinion of Counsel with respect to compliance with a condition or covenant provided for in this Indenture (other than annual certificates provided pursuant to Section 6.05 hereof) shall include:

(1) a statement that the person making such certificate or opinion has read such covenant or condition;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of such person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with: and

(4) a statement as to whether or not, in the opinion of such person, such condition or covenant has been complied with; provided, however, that with respect to matters of fact an Opinion of Counsel may rely on an Officers' Certificate or certificates of public officials.

SECTION 12.05 *Record Date for Vote or Consent of Securityholders.*

The Company may set a record date for purposes of determining the identity of Securityholders entitled to vote or consent to any action by vote or consent authorized or permitted under this Indenture, which record date shall be the later of 10 days prior to the first solicitation of such vote or consent or the date of the most recent list of Securityholders furnished to the Trustee pursuant to Section 2.05 hereof prior to such solicitation. If a record date is fixed, those persons who were Holders of Securities at such record date (or their duly designated proxies). and only those persons, shall be entitled to take such action by vote or consent or to revoke any vote or consent previously given, whether or not such persons continue to be Holders after such record date.

SECTION 12.06 *Rules by Trustee, Paying Agent, Registrar.*

The Trustee may make reasonable rules for action by or at a meeting of Holders. The Registrar or Paying Agent may make reasonable rules for its functions.

SECTION 12.07 *Legal Holidays.*

A "Legal Holiday' is a Saturday, a Sunday or a day on which banking institutions or trust companies in The City of New York or at a place of payment are authorized or obligated by law, regulation or executive order to remain closed. If a payment date is a Legal Holiday at a place of payment. payment may be made at that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue for the intervening period.

SECTION 12.08 *Governing Law.*

The laws of the State of New York shall govern and be used to construe this Indenture and the Securities.

SECTION 12.09 *No Adverse Interpretation of Other Agreements.*

This Indenture may not he used to interpret another indenture, loan or debt agreement of the Company or a Subsidiary. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

SECTION 12.10 *No Recourse Against Others.*

No past, present or future director, officer, employee, agent, manager, stockholder or other Affiliate, as such, of the Company shall have any liability for any obligations of the Company under the Securities or this Indenture or for any claim based on. in respect of, or by reason of such obligations or their creation. Each Securityholder by accepting a Security waives and releases all such liability. This waiver and release are part of the consideration for the issuance of the Securities.

SECTION 12.11 *Successors.*

All agreements of the Company in this Indenture and the Securities shall bind its successor. All agreements of the Trustee in this Indenture shall bind its successor.

SECTION 12.12 *Multiple Counterparts.*

The parties may sign multiple counterparts of this Indenture. Each signed counterpart shall be deemed an original, but all of them together represent the same agreement.

SECTION 12.13 *Separability.*

In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 12.14 *Table of Contents, Headings, etc.*

The table of contents, cross-reference sheet and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part hereof and shall in no way modify or restrict any of the terms or provisions hereof.

SIGNATURES

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands as of the day of .

[SEAL] ETHAN ALLEN INTERIORS INC.

Attest: _____ By _____
Title: Title:

[SEAL] [ ], Trustee

Attest: _____ By _____
Title: Title:

EXHIBIT A

[FACE OF DEBENTURE]

Number

[CUSIP NO.]

ETHAN ALLEN INTERIORS INC.

6 1/2% Convertible Subordinated Debenture due March 15, 2003

ETHAN ALLEN INTERIORS INC., a Delaware corporation, promises to pay to or registered assigns the principal sum of Dollars on , 2003 as set forth herein.

Interest Payment Dates: _____, _____, _____ and _____.

Record Dates: _____, _____, _____ and _____.

Additional provisions of this Debenture are set forth on the other side of this Debenture.

ETHAN ALLEN INTERIORS INC.

By:_____

By:_____

[SEAL]

Certificate of Authentication:

[ ]
as Trustee.
certifies that this is one of the
Securities referred to in the
Indenture.

By: _____
Authorized Signatory

Dated:

[BACK OF DEBENTURE]

ETHAN ALLEN INTERIORS INC.

6 1/2% Convertible Subordinated Debenture due March 15, 2003

1. Interest.

Ethan Allen Interiors Inc., a Delaware corporation (the 'Company"), promises to pay interest on the principal amount of this Debenture at the rate per annum shown above. The Company will pay interest quarterly on March 15, June 15, September 15 and December 15 of each year. Interest on the Debentures will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of first issuance of the Debentures under the Indenture (as defined below); provided that, if there is no existing default in the payment of interest, and if this Debenture is authenticated between a record date referred to on the face hereof and the next succeeding interest payment date interest shall accrue from such interest payment date; and provided further that, if this Debenture is converted after the close of business on the record date for the payment of an installment of interest and prior to the opening of business on the next interest payment date, then, in accordance with paragraph 9 hereof, the holder of this Debenture so converted will be required to pay to the Company the amount of such interest at the time of surrender of the Debenture for conversion. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

2. Method of Payment.

The Company will pay interest on this Debenture (except defaulted interest) to the person who is the registered holder of this Debenture at the close of business on the February 28, May 31, August 31 and November 30 next preceding the interest payment date. The holder must surrender this Debenture to the Paying Agent to collect payment of principal. The Company will pay principal and interest in money of the United States that at the time of payment is legal tender for payment of public and private debts. The Company, however, may pay principal and interest by its check payable in such money. It may mail an interest check to the holder's registered address.

3. Paying Agent, Registrar and Conversion Agent.

Initially, [ ] (the "Trustee") will act as Paying Agent, Registrar and Conversion Agent. The Company may change any Paying Agent, Registrar or Conversion Agent without notice to the Debentureholders. The Company or any of its Subsidiaries may act as Paying Agent, Registrar or Conversion Agent.

4. Indenture, Limitations.

The Company issued this Debenture under an Indenture dated as of (the "Indenture") between the Company and the Trustee. The terms of this Debenture include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939 (15 U.S.C. §§ 77aaa-77bbbb), as amended by the Trust Indenture Reform Act of 1990 and as in effect on the date of the Indenture. This Debenture is subject to all such terms, and the holder of this Debenture is referred to the Indenture and said Act for a statement of them. The Debentures are subordinated unsecured obligations of the Company.

5. Optional Redemption.

The Debentures may be redeemed, at the Company's option, in whole or in part at any time and from time to time, at the following prices (expressed as percentages of the principal amount), if redeemed during the twelve-month period beginning of the year indicated below, in each case together with accrued interest to the date fixed for redemption:

If Redeemed During the 12 Months' Period Beginning January 1,	If Redeemed During the 12 Months' Period Applicable Percentage	Beginning January 1,	Applicable Percentage
1995	104.875%	1998	102.4375%
1996	104.0625%	1999	101.625%
1997	103.25%	2000	100.8125%
		2001 and thereafter	100%

Notwithstanding the provisions of this paragraph 5, the Company may not redeem any Debentures prior to March 23, 1995 unless the Closing Price (as determined below) of the Common Stock of the Company shall have equaled or exceeded 140% of the then applicable conversion price per share (as fixed or determined in accordance with paragraph 9 below) for at least twenty (20) Trading Days (as defined below) within thirty (30) consecutive Trading Days ending on the fifth Trading Day prior to the date notice of redemption is given. For purposes of this section, (1) the "Closing Price' for any day is the closing price as determined in Section 4.06(d) of the Indenture and (ii) a "Trading Day" means, so long as the Common Stock is listed or admitted to trading on the New York Stock Exchange, a day on which such Exchange is open for the transaction of business.

6. Mandatory Redemption.

The Company will redeem the aggregate principal amount of Securities outstanding on March 15, 2003 at a redemption price of 100% of principal amount, plus accrued interest to the redemption date. The Company may reduce the principal amount of Securities to be redeemed pursuant to this paragraph 6 by subtracting 100% of the principal amount (excluding premium) that the Company has delivered to the Trustee for cancellation or that the Company has redeemed other than pursuant to this paragraph 6. The Company may so subtract the same Security only once.

7. Discharge Prior to Maturity.

If the Company deposits with the Trustee or Paying Agent money or U.S. Government Obligations sufficient to pay the principal of and interest on the Debentures to maturity or redemption, the Company will be discharged from the Indenture except for certain provisions thereof.

8. Notice of Redemption.

Notice of redemption will be mailed by first class mail at least 30 days but not more than 60 days before the redemption date to each holder of Debentures to be redeemed at such holder's registered address. Debentures in denominations larger than $1,000 may be redeemed in part, but only in whole multiples of $ 1,000. On and after the redemption date interest ceases to accrue on Debentures or portions of them called for redemption.

9. Conversion and Conversion Option upon a Change of Control.

(a) A holder of a Debenture may convert it into shares of Common Stock of the Company at any time prior to maturity, except that, if the Debenture is called for redemption, the conversion right will terminate at the close of business on the Business Day immediately preceding the redemption date. The initial conversion price is $23.40 per share, subject to adjustment under certain circumstances. The number of shares issuable upon conversion of a Debenture is determined by dividing the principal amount converted by the conversion price in effect on the conversion date. Upon conversion, no adjustment for interest or dividends will be made. No fractional shares will be issued upon conversion; in lieu thereof, the number of shares of Common Stock issuable by the Company upon such conversion shall be rounded up to the nearest full share.

(b) To convert a Debenture, a holder must (1) complete and sign the conversion notice set forth below; (2) surrender the Debenture to a Conversion Agent; (3) furnish appropriate endorsements or transfer documents if required by the Registrar or Conversion Agent; and (4) pay any transfer or similar tax, if required. If a holder surrenders a Debenture for conversion after the close of business on the record date for the payment of an installment of interest and prior to the opening of business on the next interest payment date, then, notwithstanding such conversion, the interest payable on such interest payment date will be paid to the registered holder on such record date. In such event, the Debenture, when surrendered for conversion, must be accompanied by payment of an amount equal to the interest payable on such interest payment date on the principal amount of the Debenture or portion thereof then converted. A holder may convert a portion of a Debenture equal to $1,000 or any integral multiple thereof.

(c) Notwithstanding anything to the contrary contained herein, if at any time there occurs a Change of Control (as defined in the Indenture), the Debentures may be converted, at the option of the holder thereof at any time from the date of such Change of Control until the expiration of 45 days after the date of a notice by the Company to all holders of the Debentures of the occurrence of the Change of Control, into the number of shares of Common Stock determined by dividing (I) the principal amount of the Debentures to be converted by (2) the average daily closing prices (calculated in accordance with Section 4.06(d) of the Indenture) of the Common Stock for the five trading days immediately prior to the Change of Control Date (as defined in the Indenture). The Company may, at its option, elect to pay holders of the Debentures exercising their conversion rights as set forth in this paragraph 7(c) an amount of cash equal to the principal amount thereof plus any accrued and unpaid interest thereon to the date of such payment.

(d) Prior to complying with the foregoing provisions, but in any event within 90 days of a Change in Control, the Company will either repay all indebtedness and terminate all commitments outstanding under the Credit Agreement or obtain the requisite consents, if any, under the Credit Agreement required to permit the repurchase of Securities required by this covenant.

10. Subordination.

The indebtedness evidenced by the Debentures is, to the extent and in the manner provided in the Indenture, subordinate and junior in right of payment to the prior payment in full of all Senior Indebtedness of the Company, as defined in the Indenture. The Debentureholder by accepting this Debenture agrees to and shall be bound by such subordination provisions and authorizes the Trustee to give them effect.

In addition to all other rights of Senior Indebtedness described in the Indenture, the Senior Indebtedness shall continue to be Senior Indebtedness and entitled to the benefits of the subordination provisions irrespective of any amendment, modification or waiver of any term of any instrument relating to the Senior Indebtedness or extension or renewal of the Senior Indebtedness.

11. Denominations, Transfer, Exchanged.

The Debentures are in registered form without coupons in denominations of $1,000 and integral multiples of $1,000. A holder may register the transfer of or exchange Debentures in accordance with the Indenture. The Registrar may require a holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes or other governmental charges that may be imposed by law or permitted by the Indenture.

12. Persons Deemed Owners.

The registered holder of a Debenture may be treated as the owner of it for all purposes.

13. Unclaimed Money.

If money for the payment of principal or interest remains unclaimed for two years, the Trustee or Paying Agent will pay the money back to the Company at its request. After that, holders entitled to money must look to the Company for payment.

14. Amendment, Supplement, Waiver.

Subject to certain exceptions that require the consent of each Debentureholder who is affected, the Indenture or the Debentures may be amended or supplemented with the consent of the holders of a majority in principal amount of the Debentures then outstanding and any past default or compliance with any provision may be waived in a particular instance with the consent of the holders of a majority in principal amount of the Debentures then outstanding. Without the consent of or notice to any Debentureholder, the Company and the Trustee may amend or supplement the Indenture or the Debentures to, among other things, provide for uncertificated Debentures in addition to or in place of certificated Debentures, or to cure any ambiguity, defect or inconsistency or make any other change that does not adversely affect the rights of any Debentureholder.

15. Successor Corporation.

When a successor corporation assumes all the obligations of its predecessor under the Debentures and the Indenture, the predecessor corporation will be released from those obligations.

16. Defaults and Remedies.

An Event of Default is: default for 30 days in payment of interest on the Debentures; default in payment of principal of them; failure by the Company for 60 days after notice to it to comply with any of the other provisions of the Indenture or the Debentures; certain events of bankruptcy or insolvency of the Company or any of its Significant Subsidiaries; and certain defaults under and acceleration prior to the maturity of other indebtedness. If an Event of Default (other than as a result of certain events of bankruptcy or insolvency) occurs and is continuing, the Trustee or the holders of at least 30% (or 25% in the case of a default with respect to payment of principal of or interest on the Securities) in principal amount of the Debentures then outstanding may declare the unpaid principal of and accrued but unpaid interest to the date of acceleration on the Debentures then outstanding to be due and payable, all as and to the extent provided in the Indenture. If an Event of Default occurs as a result of certain events of bankruptcy or insolvency, the unpaid principal of and accrued but unpaid interest on the Debentures then outstanding shall become due and payable immediately without any declaration or other act on the part of the Trustee or any Debentureholder, all as and to the extent provided in the Indenture. Debentureholders may not enforce the Indenture or the Debentures except as provided in the Indenture. The Trustee may require indemnity and security satisfactory to it before it enforces the Indenture or the Debentures. Subject to certain limitations, holders of a majority in principal amount of the Debentures then outstanding may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Debentureholders notice of any continuing default (except a default in payment of principal or interest) if it determines that withholding notice is in their interest. The Company is required to file periodic reports with the Trustee as to the absence of default.

17. Trustee Dealings with the Company.

[ ], the Trustee under the Indenture, in its individual or any other capacity, may make loans to, accept deposits from and perform services for the Company or an Affiliate of the Company, and may otherwise deal with the Company or an Affiliate of the Company, as if it were not the Trustee.

18. No Recourse Against Others.

No past, present or future director, officer, employee, agent, manager, stockholder or other Affiliate, as such, of the Company shall have any liability for any obligations of the Company under the Securities, the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. The holder of this Debenture by accepting this Debenture waives and releases all such liability. The waiver and release are part of the consideration for the issuance of this Debenture.

19. Authentication.

This Debenture shall not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

20. Abbreviations and Definitions.

Customary abbreviations may be used in the name of a Debentureholder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian) and UIG/M/A (= Uniform Gifts to Minors Act).

All capitalized terms used in this Debenture and not specifically defined herein are defined in the Indenture and are used herein as so defined.

21. Indenture to Control.

In the case of any conflict between the provisions of this Debenture and the Indenture, the provisions of the Indenture shall control.

The Company will furnish to any Debentureholder, upon written request and without charge, a copy of the Indenture. Requests may be made to: Ethan Allen Interiors Inc., Ethan Allen Drive. Danbury, Connecticut 06811, Attention: Secretary.

ASSIGNMENT FORM

To assign this Debenture, fill in the form below: (I) or (we) assign and transfer this Debenture to

_____

(insert assignee's social security or tax I.D. number)

_____

_____

_____

_____

(Print or type assignee's name, address and zip code)

and irrevocably appoint

_____

agent to transfer this Debenture on the books of the Company. The agent may substitute another to act for him.

Dated:_____ Your Signature _____

(Sign exactly as your name appears on the other side of this Debenture)

*Signature
Guarantee:_____

ELECTION TO CONSENT

To Ethan Allen Interiors Inc.

The undersigned owner of this Debenture hereby irrevocably exercises the option to convert this Debenture, or the portion below designated, into Common Stock of ETHAN ALLEN INTERIORS INC. in accordance with the terms of the Indenture referred to in this Debenture and directs that the shares issuable and deliverable upon conversion, together with any check in payment for fractional shares, be issued in the name of and delivered to the undersigned. unless a different name has been indicated in the assignment below. If shares are to be issued in the name of a person other than the undersigned, the signature of the undersigned will be guaranteed below, and the undersigned will pay all transfer taxes payable with respect thereto. Any amount required to be paid by the undersigned on account of interest accompanies this Debenture.

Dated:_____

Portion of Debenture to be converted ($1,000 or an integral multiple thereof):
$_____

Your Signature _____
Signature (for conversion only)

in whole

Please Print Or Typewrite Name And Address,
Including Zip Code, And Social Security Or
Other Identifying Number

_____

_____

_____

*Signature
Guarantee:_____

* To be furnished by a commercial bank or trust company doing business in New York City or by a member firm of the New York Stock Exchange.

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

IT IS HEREBY CERTIFIED THAT:

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

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

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

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

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

[signature page follows]

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

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

Attest:

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

Exhibit 3(c)

CERTIFICATE OF DESIGNATIONS

OF

SERIES C JUNIOR PARTICIPATING PREFERRED STOCK
(Without Par Value)

OF

ETHAN ALLEN INTERIORS INC.

Pursuant to Section 151 of the
General Corporation Law of the State of Delaware

Ethan Allen Interiors Inc., a corporation organized and existing under the laws of the State of Delaware (the "Company"), DOES HEREBY CERTIFY:

That pursuant to authority conferred on the Board of Directors of the Company by its Certificate of Incorporation and the provisions of the Section 151(g) of the General Corporation Law of the State of Delaware, the Board of Directors on May 20, 1996 adopted the following resolution establishing in their entireties the voting powers, preferences, and relative, participating, optional or other special rights of the shares of the Series C Preferred Stock, and the qualifications, limitations or restrictions thereof.

RESOLVED, that pursuant to the authority conferred upon the Board of Directors of the Company by its Restated Certificate of Incorporation and by the provisions of Section 151(g) of the General Corporation Law of the State of Delaware, the voting powers, preferences and relative participating, optional or other special rights of the Series C Junior Preferred Stock of the Company, and the qualifications, limitations or restrictions thereof, be, and the same hereby are to be as follows:

Section 1. Designation and Amount. The shares of such series shall be designated "Series C Junior Participating Preferred Stock" ("Series C Preferred Stock") and the number of shares constituting such series shall be 155,010.

Section 2. Dividends and Distributions.

(a) Subject to the provisions for adjustment hereinafter set forth, the holders of shares of Series C Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, (i) cash dividends in an amount per share (rounded to the nearest cent) equal to 100 times the aggregate per share amount of all cash dividends declared or paid on the Common Stock, $.01 par value per share, of the Company ("Common Stock") and (ii) a preferential cash dividend (a "Preferential Dividend"), if any, on the first day of February, May, August and November of each year (each a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series C Preferred Stock, in an amount equal to $1.00 per share of Series C Preferred Stock less the per share amount of all cash dividends declared on the Series C Preferred Stock pursuant to clause (i) of this sentence since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series C Preferred Stock. In the event the Company shall, at any time after the issuance of any share or fraction of a share of Series C Preferred Stock, make any distribution on the shares of Common Stock, whether by way of a dividend or a reclassification of stock, a recapitalization, reorganization or partial liquidation of the Company or otherwise, which is payable in cash or any debt security, debt instrument, real or personal property or any other property (other than cash dividends subject to clause (i) of the immediately preceding sentence and other than a distribution of shares of Common Stock or other capital stock of the Company and other than a distribution of rights or warrants to acquire any such share, including any debt security convertible into or exchangeable for any such share), at a price less than the Current Market Price of such share, then and in each such event the Company shall simultaneously pay on each then outstanding share of Series C Preferred of the Company a distribution, in like kind, of 100 times (subject to the provisions for adjustment hereinafter set forth) such distribution paid on a share of Common Stock. The dividends and distributions on the Series C Preferred Stock to which holders thereof are entitled pursuant to clause (i) of the first sentence of this paragraph and the second sentence of this paragraph are hereinafter referred to as "Participating Dividends," and the multiple of cash and noncash dividends on the Common Stock applicable to the determination of the Participating Dividends, which shall be 100 initially but shall be adjusted from time to time as hereinafter provided, is hereinafter referred to as the "Dividend Multiple." In the event the Company shall at any time after June 26, 1996 declare or pay any dividend or make any distribution on Common Stock payable in shares of Common Stock, or effect a subdivision or split or a combination, consolidation or reverse split of the outstanding shares of Common Stock into a greater or lesser number of shares of Common Stock, then in each such event the Dividend Multiple thereafter applicable to the determination of the amount of Participating Dividends which holders of shares of Series C Preferred Stock shall be entitled to receive shall be the Dividend Multiple applicable immediately prior to such event multiplied by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) The Company shall declare each Participating Dividend at the same time it declares any cash or noncash dividend or distribution on the Common Stock in respect of which a Participating Dividend is required to be paid. No cash or noncash dividend or distribution on the Common Stock in respect of which a Participating Dividend is required shall be paid or set aside for payment of the Common Stock unless a Participating Dividend in respect of such dividend or distribution on the Common Stock shall be simultaneously paid or set aside for payment on the Series C Preferred Stock.

(c) Preferential Dividends shall begin to accumulate on outstanding shares of Series C Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issuance of any shares of Series C Preferred Stock. Accumulated but unpaid Preferential Dividends shall cumulate but shall not bear interest. Preferential Dividends paid on the shares of Series C Preferred Stock in an amount less than the total amount of such dividends at the time accumulated and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time out-standing.

Section 3. Voting Rights. The holders of shares of Series C Preferred Stock shall have the following voting rights:

(a) Subject to the provisions for adjustment hereinafter set forth, each share of Series C Preferred Stock shall entitle the holder thereof to 100 votes on all matters submitted to a vote of the stockholders of the Company. The number of votes which a holder of Series C Preferred Stock is entitled to cast, as the same may be adjusted from time to time as hereinafter provided, is hereinafter referred to as the "Vote Multiple." In the event the Company shall at any time after June 26, 1996 declare or pay any dividend on Common Stock payable in shares of Common Stock, or effect a subdivision or split or a combination, consolidation or reverse split of the outstanding shares of Common Stock into a greater or lesser number of shares of Common Stock, then in each such case the Vote Multiple thereafter applicable to the determination of the number of votes per share to which holders of shares of Series C Preferred Stock shall be entitled after such event shall be the Vote Multiple immediately prior to such event multiplied by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) Except as otherwise provided herein, in the Certificate of Incorporation, in any resolution or resolutions of the Board of Directors of the Company providing for the issue of any other series of Preferred Stock or by law, the holders of shares of Series C Preferred Stock, the holders of shares of Common Stock and the holders of shares of any other class or series of capital stock of the Company entitled to vote generally for the election of directors shall vote together as one class on all matters submitted to a vote of stockholders of the Company.

(c) In the event that the Preferential Dividends accrued on the Series C Preferred Stock for four or more consecutive quarterly dividend periods shall not have been declared and paid or set apart for payment, the holders of record of the Series C Preferred Stock, voting together with the holders of record of any other series of Preferred Stock of the Company which shall then have the right, expressly granted by the Restated Certificate of Incorporation of the Company or in any resolution or resolutions of the Board of Directors of the Company providing for the issue of such shares of Preferred Stock, to elect directors upon such a default in the payment of dividends by the Company, shall have the right, at the next meeting of stockholders called for the election of directors, voting together as a class, to elect two members to the Board of Directors, which directors shall be in addition to the number provided for pursuant to the Company's By-laws prior to such event, to serve until the next Annual Meeting and until their successors are elected and qualified or their earlier resignation, removal or incapacity or until such earlier time as all accrued and unpaid Preferential Dividends upon the outstanding shares of Series C Preferred Stock shall have been paid (or set aside for payment) in full. The holders of shares of Series C Preferred Stock shall continue to have the right to elect directors as provided by the immediately preceding sentence until all accrued and unpaid Preferential Dividends upon the outstanding shares of Series C Preferred Stock shall have been paid (or set aside for payment) in full. Such directors may be removed and replaced by such stockholders, and vacancies in such directorships may be filled only by such stockholders (or by the remaining director elected by such stockholders, if there be one) in the manner permitted by law. Subject to the foregoing, any directors elected pursuant to this paragraph 3(c) shall be elected annually and shall not constitute members of any Class of directors as contemplated by Article Sixth of the Company's Restated Certificate of Incorporation.

(d) Except as otherwise required by law or set forth herein, holders of Series C Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote as set forth herein) for the taking of any corporate action.

Section 4. Certain Restrictions.

(a) Whenever Preferential Dividends or Participating Dividends are in arrears or the Company shall be in default in payment thereof, thereafter and until all accumulated and unpaid Preferential Dividends and Participating Dividends, whether or not declared, on shares of Series C Preferred Stock outstanding shall have been paid or set aside for payment in full, and in addition to any and all other rights which any holder of shares of Series C Preferred Stock may have in such circumstances, the Company shall not:

(i) declare or pay dividends on, make any other distributions on or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series C Preferred Stock;

(ii) declare or pay dividends or make any other distributions on any shares of stock ranking on a parity as to dividends with the Series C Preferred Stock, unless dividends are paid ratably on the Series C Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) except as permitted by subparagraph (iv) of this paragraph (A), redeem or purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series C Preferred Stock, provided that the Company may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Company ranking junior (both as to dividends and upon liquidation, dissolution or winding up) to the Series C Preferred Stock; or

(iv) purchase or otherwise acquire for consideration any shares of Series C Preferred Stock, or any shares of stock ranking on a parity with the Series C Preferred Stock (either as to dividends or upon liquidation, dissolution or winding up), except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(b) The Company shall not permit any subsidiary of the Company to purchase or otherwise acquire for consideration any shares of stock of the Company ranking junior to the Series C Preferred Stock unless the Company could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

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

Section 5. Reacquired Shares. Any shares of Series C Preferred Stock purchased or otherwise acquired by the Company in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof.

Section 6. Liquidation, Dissolution or Winding Up. Upon any voluntary or involuntary liquidation, dissolution or winding up of the Company, no distribution shall be made (i) to the holders of shares of stock ranking junior to the Series C Preferred Stock (either as to dividends or upon liquidation, dissolution or winding up) unless the holders of shares of Series C Preferred Stock shall have received, subject to adjustment as hereinafter provided, the greater of (A) $100.00 per share plus an amount equal to all accumulated and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, and (B) the amount equal to 100 times the aggregate amount to be distributed per share to holders of Common Stock, or (ii) to the holders of stock ranking on a parity upon liquidation, dissolution or winding up with the Series C Preferred Stock, unless simultaneously therewith distributions are made ratably on the Series C Preferred Stock and all other shares of such parity stock in proportion to the total amounts to which the holders of shares of Series C Preferred Stock are entitled under clause (i) (A) of this sentence and to which the holders of such parity shares are entitled, in each case upon such liquidation, dissolution or winding up. The amount to which holders of Series C Preferred Stock shall be entitled upon liquidation, dissolution or winding up of the Company pursuant to clause (i)(B) of the foregoing sentence is hereinafter referred to as the "Participating Liquidation Amount," and the multiple of the amount to be distributed to holders of shares of Common Stock upon the liquidation, dissolution or winding up of the Company applicable pursuant to said clause to the determination of the Participating Liquidation Amount, which shall be 100 initially but shall be adjusted from time to time as hereinafter provided, is hereinafter referred to as the "Liquidation Multiple." In the event the Company shall at any time after June 26, 1996 declare or pay any dividend on Common Stock payable in shares of Common Stock, or effect a subdivision or split or a combination, consolidation or reverse split of the outstanding shares of Common Stock into a greater or lesser number of shares of Common Stock, then in each such case the Liquidation Multiple thereafter applicable to the determination of the Participating Liquidation Amount to which holders of Series C Preferred Stock shall be entitled after such event shall be the Liquidation Multiple applicable immediately prior to such event multiplied by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. Certain Reclassification and Other Events.

(a) In the event that holders of shares of Common Stock receive after June 26, 1996 in respect of their shares of Common Stock any share of capital stock of the Company (other than any share of Common Stock of the Company), whether by way of reclassification, recapitalization, reorganization, dividend or other distribution or otherwise ("Transaction"), then in each such event the dividend rights and rights upon the liquidation, dissolution or winding up of the Company of the shares of Series C Preferred Stock shall be adjusted so that after such event the holders of Series C Preferred Stock shall be entitled, in respect of each share of Series C Preferred Stock held, in addition to such rights in respect thereof to which such holder was entitled immediately prior to such adjustment, to (i) such additional dividends as equal the Dividend Multiple in effect immediately prior to such Transaction multiplied by the additional dividends which the holder of a share of Common Stock shall be entitled to receive by virtue of the receipt in the Transaction of such capital stock, (ii) such additional voting rights as equal the Vote Multiple in effect immediately prior to such Transaction multiplied by the additional voting rights which the holder of a share of Common Stock shall be entitled to receive by virtue of the receipt in the Transaction of such capital stock, and (iii) such additional distributions upon liquidation, dissolution or winding up of the Company as equal the Liquidation Multiple in effect immediately prior to such Transaction multiplied by the additional amount which the holder of a share of Common Stock shall be entitled to receive upon liquidation, dissolution or winding up of the Company by virtue of the receipt in the Transaction of such capital stock, as the case may be, all as provided by the terms of such capital stock.

(b) In the event that holders of shares of Common Stock receive after June 26, 1996 in respect of their shares of Common Stock any right or warrant to purchase Common Stock (including as such a right, for all purposes of this paragraph, any security convertible into or exchangeable for Common Stock) at a purchase price per share less than the Current Market Price (as hereinafter defined) of a share of Common Stock on the date of issuance of such right or warrant, then in each such event the dividend rights, voting rights and rights upon the liquidation, dissolution or winding up of the Company of the shares of Series C Preferred Stock shall each be adjusted so that after such event the Dividend Multiple, the Vote Multiple and the Liquidation Multiple shall each be the product of the Dividend Multiple, the Vote Multiple and the Liquidation Multiple, as the case may be, in effect immediately prior to such event multiplied by a fraction the numerator of which shall be the number of shares of Common Stock outstanding immediately before such issuance of rights or warrants plus the maximum number of shares of Common Stock which could be acquired upon exercise in full of all such rights or warrants and the denominator of which shall be the number of shares of Common Stock outstanding immediately before such issuance of rights or warrants plus the number of shares of Common Stock which could be purchased, at the Current Market Price of the Common Stock at the time of such issuance, by the maximum aggregate consideration payable upon exercise in full of all such rights or warrants.

(c) In the event that holders of shares of Common Stock receive after June 26, 1996 in respect of their shares of Common Stock any right or warrant to purchase capital stock of the Company (other than shares of Common Stock), including as such a right, for all purposes of this paragraph, any security convertible into or exchangeable for capital stock of the Company (other than Common Stock), at a purchase price per share less than the Current Market Price of such shares of capital stock on the date of issuance of such right or warrant, then in each such event the dividend rights, voting rights and rights upon liquidation, dissolution or winding up of the Company of the shares of Series C Preferred Stock shall each be adjusted so that after such event each holder of a share of Series C Preferred Stock held, in addition to such rights in respect thereof to which such holder was entitled immediately prior to such event, to receive (i) such additional dividends as equal the Dividend Multiple in effect immediately prior to such event multiplied, first, by the additional dividends to which the holder of a share of Common Stock shall be entitled upon exercise of such right or warrant by virtue of the capital stock which could be acquired upon such exercise and multiplied again by the Discount Fraction (as hereinafter defined), (ii) such additional voting rights as equal the Vote Multiple in effect, immediately prior to the event multiplied, first, by the additional voting rights to which the holder of a share of Common Stock shall be entitled upon exercise of such right of warrant by virtue of the capital stock which could be acquired upon such exercise and multiplied, again, by the Discount Fraction, and (iii) such additional distributions upon liquidation, dissolution or winding up of the Company as equal the Liquidation Multiple in effect immediately prior to such event multiplied, first, by the additional amount which the holder of a share of Common Stock shall be entitled to receive upon liquidation, dissolution or winding up of the Company upon exercise of such right or warrant by virtue of the capital stock which could be acquired upon such exercise and multiplied again by the Discount Fraction. For purposes of this paragraph, the "Discount Fraction" shall be a fraction the numerator of which shall be the difference between the Current Market Price (as hereinafter defined) of a share of the capital stock subject to a right or warrant distributed to holders of shares of Common Stock as contemplated by this paragraph immediately after the distribution thereof and the purchase price per share for such share of capital stock pursuant to such right or warrant and the denominator of which shall be the Current Market Price of a share of such capital stock immediately after the distribution of such right or warrant.

(d) For purposes of this Section 7, the "Current Market Price" of a share of capital stock of the Company (including a share of Common Stock) on any date shall be deemed to be the average of the daily closing prices per share thereof over the 30 consecutive Trading Days (as such-term is hereinafter defined) immediately prior to such date, provided that in the event that such Current Market Price of any such share of capital stock is determined during a period which includes any date that is within 30 Trading Days after the ex-dividend date for (i) a dividend or distribution on stock payable in shares of such stock or securities convertible into shares of such stock or (ii) any subdivision, split, combination, consolidation, reverse stock split or reclassification of such stock, then in each such event, the Current Market Price shall be appropriately adjusted by the Board of Directors to reflect the Current Market Price of such stock to take into account ex-dividend trading. The closing price for any day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the shares are not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the shares are listed or admitted to trading or, if the shares are not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the National Association of Securities Dealers, Inc. Automated Quotation System ("NASDAQ") or such other system then in use, or if on any such date the shares are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the shares selected by the Board of Directors. The term "Trading Day" shall mean a day on which the principal national securities exchange on which the shares are listed or admitted to trading is open for the transaction of business or, if the shares are not listed or admitted to trading on any national securities exchange, on which the New York Stock Exchange or such other national securities exchange as may be selected by the Board of Directors is open. If the shares are not publicly held or not so listed or traded on any day within the period of 30 Trading Days applicable to the determination of current Market Price thereof as aforesaid, "Current Market Price" shall mean the fair market value thereof per share as determined in good faith by the Board of Directors. In either case referred to in the foregoing sentence, the determination of Current Market Price shall be described in a statement filed with the Secretary of the Company.

Section 8. Consolidation, Merger, etc. In the event that the Company shall enter into any consolidation, merger, combination or other transaction in which shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such event each outstanding share of Series C Preferred Stock shall at the same time be similarly exchanged for or changed into the aggregate amount of stock, securities, cash and other property (payable in like kind), as the case may be, for which or into which each share of Common Stock is changed or exchanged multiplied by the highest of the Dividend Multiple, the Vote Multiple or the Liquidation Multiple in effect immediately prior to such event.

Section 9. Effective Time of Adjustments.

(a) Adjustments to the Series C Preferred Stock required by the provisions hereof shall be effective as of the time at which the event requiring such adjustments occurs.

(b) The Company shall give prompt written notice to each holder of a share of Series C Preferred Stock of the effect on any such shares of any adjustment to the dividend rights, voting rights or rights upon liquidation, dissolution or winding up of the Company required by the provisions hereof. Notwithstanding the foregoing sentence, the failure of the Company to give such notice shall not affect the validity of or the force or effect of or the requirement for such adjustment.

Section 10. No Redemption. The shares of Series C Preferred Stock shall not be redeemable at the option of the Company or any holder thereof. Notwithstanding the foregoing sentence of this Section, the Company may acquire shares of Series C Preferred Stock in any other manner permitted by law, the provisions of the Certificate of Designations setting forth the rights, powers and preferences of the Series C Preferred Stock and the Certificate of Incorporation of the Company.

Section 11. Ranking. Unless otherwise provided in the Certificate of Incorporation or a certificate of designations relating to a subsequent series of Preferred Stock of the Company, the Series C Preferred Stock shall rank junior to all other series of the Company's Preferred Stock as to the payment of dividends and the distribution of assets on liquidation, dissolution or winding up, and senior to the Common Stock.

Section 12. Amendment. After the Distribution Date (as defined in the Rights Agreement), the provisions of the Amended Certificate of Designations setting forth the rights, powers and preferences of the Series C Preferred Stock and the Restated Certificate of Incorporation shall not be amended in any manner which would materially affect the rights, privileges or powers of the Series C Preferred Stock without, in addition to any other vote of stockholders required by law, the affirmative vote of the holders of 66-2/3% or more of the outstanding shares of Series C Preferred Stock, voting together as a single class.

2. This Certificate of Designations shall become effective at 5:01 pm. on July 3, 1996.

IN WITNESS WHEREOF, Ethan Allen Interiors Inc. has caused this Certificate of Designations to be signed and attested this 3rd day of July, 1996.

Ethan Allen Interiors Inc.

By /s/M. Farooq Kathwari

Name: M. Farooq Kathwari
Title: President and Chief Officer

ATTEST:

/s/Edward P. Schade
- ---
Name: Edward P. Schade
Title: Vice President & Treasurer

ETHAN ALLEN INTERIORS INC. HAS CLAIMED CONFIDENTIAL TREATMENT OF PORTIONS OF THIS DOCUMENT IN ACCORDANCE WITH RULE 24-B UNDER THE SECURITIES EXCHANGE ACT OF 1934

FIFTH AMENDMENT TO SECOND AMENDED AND RESTATED PRIVATE LABEL CONSUMER CREDIT CARD PROGRAM AGREEMENT

This Fifth Amendment to Second Amended and Restated Private Label Consumer Credit Card Program Agreement (the "Fifth Amendment"), effective as of July 1, 2015 ("Amendment"), amends that certain Second Amendment and Restated Private Label Consumer Credit Card Program Agreement dated as of July 23, 2007 (as amended, modified, and supplemented from time to time, the "Agreement"), by and between Ethan Allen Global, Inc., a Delaware corporation ("Ethan Allen Global") and Ethan Allen Retail, Inc., a Delaware corporation ("Ethan Allen Retail", and together with Ethan Allen Global, "Retailer"), and Synchrony Bank ("Bank"). Capitalized terms used herein and not otherwise defined have the meaning given in the Agreement.

WHEREAS, Bank and Retailer wish to amend the Agreement as set forth in this Fifth Amendment.

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

I. AMENDMENTS TO THE AGREEMENT

1.1 References to GE Capital Retail Bank. Every reference in the Agreement to "GE Capital Retail Bank" is hereby replaced with "Synchrony Bank".

1.2 Amendment to Section 4.3. The following is added to the end of Section 4.3: Retailer acknowledges that Bank may, without notice, or consent from Retailer, solicit Cardholders for deposit products."

1.3 Amendment to Definitions. The following definitions in Appendix A of the Agreement are hereby amended and replaced in their entirety:

"Applicable Laws" means all federal, state and local statutes, codes, ordinances, regulations, laws (including laws relating to fair lending and unfair, deceptive or abusive acts or practices), published regulatory guidelines and regulatory interpretations, judicial or administrative orders and interpretations, and regulatory guidance provided to Bank (including regulations and regulatory guidance pertaining to bank safety and soundness), orders or directives and examination report comments.

"Level 1 Collateral Event" means Ethan Allen Interior Inc.'s failure to maintain, as of the end of each fiscal quarter of Ethan Allen Interiors Inc., (i) Tangible Net Worth of at least * or (ii) Working Capital of at least * .

* CONFIDENTIAL INFORMATION HAS BEEN OMITTED AND FURNISHED SEPARATELY TO THE COMMISSION

"Level 2 Collateral Event" means Ethan Allen Interior Inc.'s failure to maintain, as of the end of each fiscal quarter of Ethan Allen Interiors Inc., (i) Tangible Net Worth of at least * or (ii) Working Capital of at least * .

"Remediation Period" means a two (2) successive full calendar quarter period beginning after the occurrence of either a Level 1 Collateral Event or a Level 2 Collateral Event throughout which Ethan Allen Interior Inc.'s (i) Tangible Net Worth exceeds * and (ii) Working Capital exceeds * . Notwithstanding the foregoing, the parties may mutually agree that a Remediation Period has been completed.

II. GENERAL

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

2.2 Effect of Amendment. Except as specifically amended hereby, the Agreement, and all terms contained therein, remains in full force and effect. In the case of any conflict between the terms of this Amendment and the Agreement, the terms of this Amendment shall control. The Agreement, as amended by this Amendment, constitutes the entire understanding of the parties with respect to the subject matter hereof.

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

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

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

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

* CONFIDENTIAL INFORMATION HAS BEEN OMITTED AND FURNISHED SEPARATELY TO THE COMMISSION

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

RETAILER:

ETHAN ALLEN GLOBAL, INC.

By: _____
Name: _____
Title: _____

ETHAN ALLEN RETAIL, INC.

By: _____
Name: _____
Title: _____

BANK:

SYNCHRONY BANK

By: _____
Name: _____
Title: _____

* CONFIDENTIAL INFORMATION HAS BEEN OMITTED AND FURNISHED SEPARATELY TO THE COMMISSION

Exhibit 12(a)

Computation of Ratio Earnings to Fixed Charges
(dollars in thousands)

	Fiscal Year Ended June 30,		
	2015	**2014**	**2013**
Earnings:			
Income (loss) before income taxes	$ 56,683	$ 62,402	$ 50,174
Unconsolidated affiliates' interests, net	-	-	-
Amortization of capitalized interest	10	10	10
Interest expense and other related financing costs	5,918	7,510	8,778
Interest portion of rent expense [1]	10,460	9,628	9,991
Adjusted earnings	$ 73,071	$ 79,550	$ 68,953
Fixed Charges:			
Interest expense and other related financing costs	$ 5,918	$ 7,510	$ 8,778
Interest portion of rent expense [1]	10,460	9,628	9,991
Total fixed charges	$ 16,378	$ 17,138	$ 18,769
Ratio of earnings to fixed charges	**4.46**	**4.64**	**3.67**

[1] One-third of rent expense is considered representative of the interest factor within rent expense

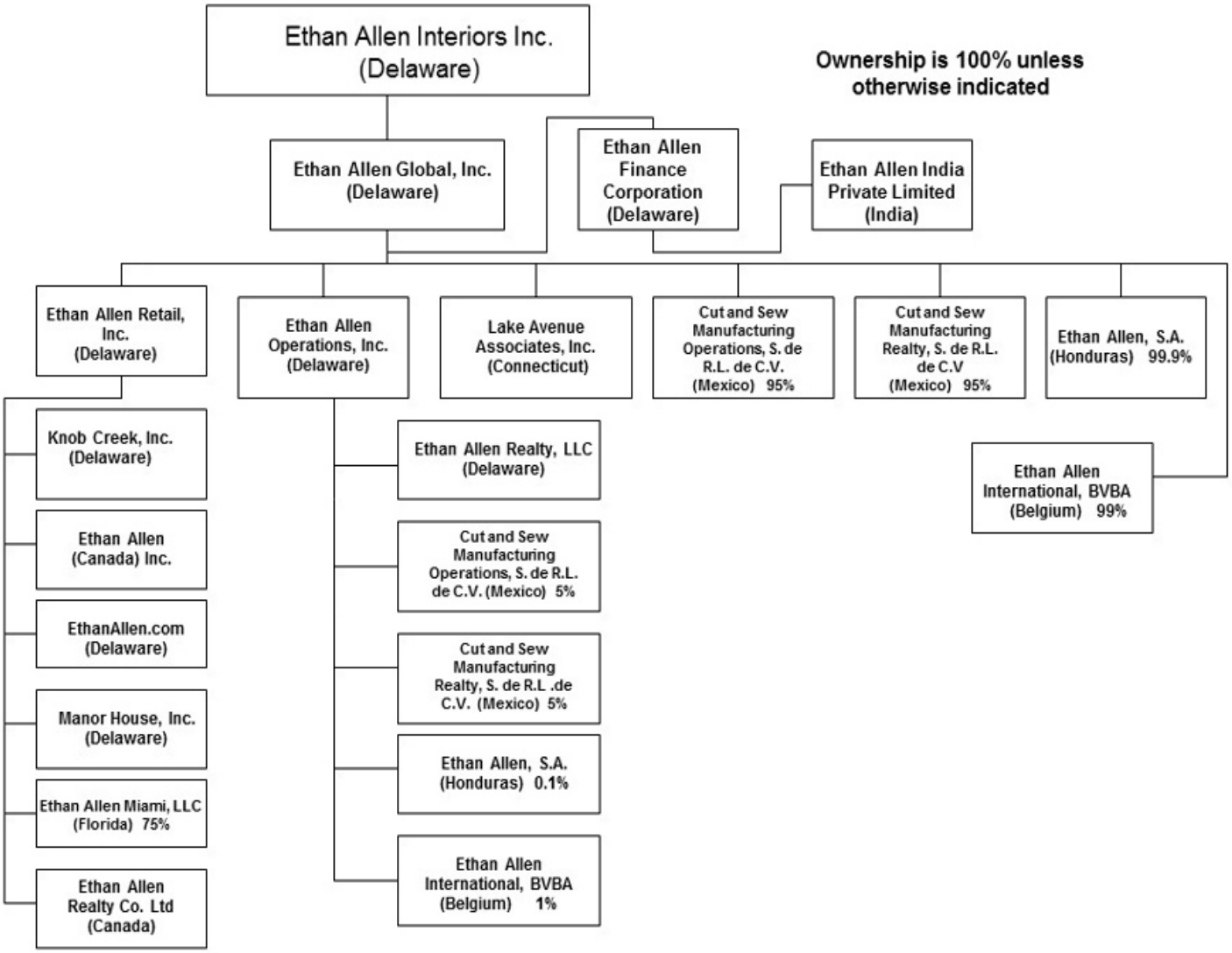
Ethan Allen Interiors Inc.
(Delaware)
Ownership is 100% unless otherwise indicated
Ethan Allen Global, Inc.
(Delaware)
Ethan Allen Finance Corporation
(Delaware)
Ethan Allen India Private Limited
(India)
Ethan Allen Retail, Inc.
(Delaware)
Ethan Allen Operations, Inc.
(Delaware)
Lake Avenue Associates, Inc.
(Connecticut)
Cut and Sew Manufacturing Operations, S. de R.L. de C.V.
(Mexico) 95%
Cut and Sew Manufacturing Realty, S. de R.L. de C.V
(Mexico) 95%
Ethan Allen, S.A.
(Honduras) 99.9%
Knob Creek, Inc.
(Delaware)
Ethan Allen (Canada) Inc.
EthanAllen.com
(Delaware)
Manor House, Inc.
(Delaware)
Ethan Allen Miami, LLC
(Florida) 75%
Ethan Allen Realty Co. Ltd
(Canada)
Ethan Allen Realty, LLC
(Delaware)
Cut and Sew Manufacturing Operations, S. de R.L. de C.V. (Mexico) 5%
Cut and Sew Manufacturing Realty, S. de R.L .de C.V. (Mexico) 5%
Ethan Allen, S.A.
(Honduras) 0.1%
Ethan Allen International, BVBA
(Belgium) 1%
Ethan Allen International, BVBA
(Belgium) 99%

Exhibit 23

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Ethan Allen Interiors Inc.:

We consent to the incorporation by reference in the registration statement (No. 333-138763) on Form S-8 of Ethan Allen Interiors Inc. of our report dated August 11, 2015, with respect to the consolidated balance sheets of Ethan Allen Interiors Inc. and subsidiaries as of June 30, 2015 and 2014, and the related consolidated statements of comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended June 30, 2015, and the effectiveness of internal control over financial reporting as of June 30, 2015, which report appears in the June 30, 2015 annual report on Form 10-K of Ethan Allen Interiors Inc.

/s/KPMG LLP

Stamford, Connecticut
August 11, 2015

Exhibit 31.1

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

I, M. Farooq Kathwari, do hereby certify that:

(1) I have reviewed this Annual Report on Form 10-K of Ethan Allen Interiors Inc.;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

(4) The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

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

(5) The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

/s/ M. Farooq Kathwari
(M. Farooq Kathwari)

Chairman, President and
Chief Executive Officer

August 11, 2015

Exhibit 31.2

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

I, Corey Whitely, do hereby certify that:

(1) I have reviewed this Annual Report on Form 10-K of Ethan Allen Interiors Inc.;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

(4) The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

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

(5) The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

/s/ Corey Whitely
(Corey Whitely)

Executive Vice President, Administration,
Chief Financial Officer and Treasurer

August 11, 2015

Exhibit 32.1

SECTION 1350 CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, M. Farooq Kathwari, hereby certify that the June 30, 2015 Annual Report on Form 10-K as filed by Ethan Allen Interiors Inc. (the "Company"), which contains the Company's financial statements, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and that information contained in such Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

August 11, 2015

Exhibit 32.2

SECTION 1350 CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Corey Whitely, hereby certify that the June 30, 2015 Annual Report on Form 10-K as filed by Ethan Allen Interiors Inc. (the "Company"), which contains the Company's financial statements, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and that information contained in such Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

August 11, 2015