
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM 8-K

Current Report
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): September 29, 2015

ETHAN ALLEN INTERIORS INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation)

1-11692
(Commission File Number)

06-1275288
(I.R.S. Employer Identification No.)

Ethan Allen Drive
Danbury, CT
(Address of principal executive offices)

06811
(Zip Code)

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

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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INFORMATION TO BE INCLUDED IN REPORT

Item 5.02 Compensatory Arrangements of Certain Officers.

Appointment of New Director

On September 30, 2015, the Board of Directors of Ethan Allen Interiors Inc.'s (the "Company") issued a press release announcing the election of Tara I. Stacom, 57, as an independent director of the Company. The Company will also nominate Ms. Stacom as an independent director at the Company's upcoming annual meeting of stockholders. Ms. Stacom has served as an Executive Vice Chairman at Cushman & Wakefield, a worldwide commercial real estate firm since 2013, and has served in various capacities at Cushman & Wakefield since 1981. Ms. Stacom will receive a standard director compensation package that has been described in the Company's form DEF 14A filed with the SEC on October 8, 2014 under the section entitled "Director Compensation", and is incorporated herein by reference into this item 5.02.

A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

Approval of 2015 Employment Agreement

As of September 29, 2015, the Company's Compensation Committee approved and the independent members of the Company's Board of Directors ratified, subject to Stockholder approval of the incentive components at the 2015 annual meeting, the terms of the a new employment agreement, dated as of October 1, 2015 and effective as of July 1, 2015, between the Company and Mr. Kathwari (the "2015 Employment Agreement"). Pursuant to the 2015 Employment Agreement the Company agreed to continue to employ Mr. Kathwari and Mr. Kathwari agreed to remain as Chairman, President and Principal Executive Officer of the Company and Ethan Allen Global, Inc., for a period of approximately five years, with two automatic one-year extensions commencing on each of July 1, 2021 and July 1, 2022 (each a "New Anniversary Date") unless notice of non-renewal is given by either Mr. Kathwari or the Company, not later than nine (9) months prior to a New Anniversary Date. Pursuant to the terms of the 2015 Employment Agreement, Mr. Kathwari will continue to receive the current base salary of \$1,150,050 per year throughout the term of the 2015 Employment Agreement.

Under the terms of the 2015 Employment Agreement, Mr. Kathwari will be entitled to an annual incentive bonus based upon the Company's Adjusted Operating Income, as defined herein. For purposes of computing Mr. Kathwari's annual incentive bonus, the Adjusted Operating Income for each fiscal year is defined as the consolidated operating income of the Company as set forth in the Company's audited consolidated financial statement as of June 30th of each fiscal year as adjusted by adding thereto the charges, expenses or accruals, if any, charged against such operating income for (1) non-recurring, extraordinary or unusual events, (2) annual bonuses, both incentive and discretionary, to officers and managers, including the annual incentive bonus, (3) share-based compensation expense recognized in accordance with ASC 718, or otherwise, including in respect of the issuance to the Company's executives, managers, employees, dealers and other business associates of capital stock of the Company, or the issuance or exercise to or by such persons of options, warrants or other rights to acquire capital stock of the Company, stock appreciation rights of the Company or similar equity equivalents, including in respect of restricted stock awards, performance-based stock awards and stock options contemplated by the 2015 Employment Agreement and prior employment agreements between the Company and Mr. Kathwari, and (4) any increased depreciation, amortization or other charges resulting from purchase accounting adjustments by virtue of acquisitions or business combinations by the Company, Ethan Allen Global, Inc. or any affiliate of the Company (provided, however, that no such adjustments will be made under this clause (4) with respect to acquisitions occurring prior to the effective date of the 2015 Employment Agreement).

For purposes of Mr. Kathwari's annual incentive bonus for each fiscal year, the Compensation Committee of the Board of Directors, subject to review and ratification by the Board of Directors, will set and establish the target and goal (the "AIB Annual Target") for Adjusted Operating Income for such fiscal year within 90 days following the commencement of that fiscal year, provided, that if the Compensation Committee, subject to review and ratification of the Board of Directors, does not set and establish the AIB Annual Target for any fiscal year for any reason or no reason, then the AIB Annual Target for that fiscal year will automatically be set and established as a five percent (5%) increase and improvement in Adjusted Operating Income as compared to the actual Adjusted Operating Income for the immediately preceding fiscal year. Mr. Kathwari's annual incentive bonus for a given fiscal year will be determined by reference to the achievement of the Company of its Adjusted Operating Income for that fiscal year measured against the AIB Annual Target for that fiscal year as follows:

Annual Incentive Bonus Payout

Adjusted Operating Income Achievement Level	Performance (as Percentage of AIB Annual Target)	Payout (as Percentage of Base Salary)	Annual Incentive Bonus Amount
Minimum Threshold	80-85%	Ⓣ 33%	\$375,000
AIB Annual Target	100%	Ⓣ 65%	\$750,000
Maximum	120-130%	Ⓣ 148% (i.e., above target bonus)	\$1,700,000

Mr. Kathwari will only be entitled to receive the annual incentive bonus with respect to a fiscal year if and to the extent the Adjusted Operating Income performance targets and goals are achieved. For the avoidance of doubt, Mr. Kathwari shall not be entitled to earn or receive an annual incentive bonus for a fiscal year where the actual Adjusted Operating Income Achievement Level is less than 80% of the AIB Annual Target for such fiscal year (but the failure to earn and receive an annual incentive bonus for any fiscal year will not affect the right to receive an annual incentive bonus earned for a subsequent fiscal year).

If the Adjusted Operating Income for a fiscal year is between the Minimum Threshold and the AIB Annual Target, or the AIB Annual Target and the Maximum, the specific amount of the annual incentive bonus for that fiscal year will be linearly interpolated on a straight line basis based on actual performance (as a percentage of the AIB Annual Target), interpolated linearly either between the Minimum Threshold and the AIB Annual Target or between the AIB Annual Target and the Maximum, respectively, and then utilizing that same percentile for the determination of the annual incentive bonus, interpolated linearly either between the Minimum Threshold and the AIB Annual Target or between the AIB Annual Target and the Maximum, respectively.

If the Company effects a major acquisition which acquisition constitutes a change of ownership or control of the Company within the meaning of Treas. Reg. Section 1.162-27(e)(2)(v) during any fiscal year, Mr. Kathwari and the Company shall negotiate in good faith an appropriate revision to the threshold amount to implement the purpose of the annual incentive bonus such that the annual incentive bonus may be payable even if the threshold amount is not achieved with respect to such fiscal year.

Mr. Kathwari's right to receive (or retain) any annual incentive bonus will be subject to "clawback" or similar obligations set forth in Company policies duly approved by the Board of Directors and required by applicable laws and regulations (including by any securities exchange) from time to time and applicable to the Company and Mr. Kathwari.

Performance-Based Restricted Stock Units

Under the terms of the 2015 Employment Agreement, Mr. Kathwari will also be entitled to performance-based restricted stock units ("Performance Units") providing a contingent right to receive shares of the Company's common stock, , par value \$.01 per share ("Common Stock"), conditioned upon the Company's achievement of certain performance targets and goals, and subject to the terms of the 2015 Employment Agreement and a separate performance-based stock unit agreement (the "Performance-Based Stock Unit Agreement") to be executed by Mr. Kathwari and the Company.

Each fiscal year during the term of Mr. Kathwari's employment under the 2015 Employment Agreement, Mr. Kathwari shall be granted Performance Units entitling Mr. Kathwari to earn 0 to 81,250 shares of the Common Stock, with each such grant to be made within ninety (90) days of the beginning of each fiscal year and earning of such shares of Common Stock to be contingent upon the performance of the Company in accordance with the 2015 Employment Agreement and the applicable performance-based stock unit agreement, such that Performance Units in relation to up to 406,250 shares of Common Stock could be earned during the full term of Mr. Kathwari's employment under the 2015 Employment Agreement.

The number of shares of Common Stock issuable in respect of each Performance Unit as of the date of the 2015 Employment Agreement is one share and the aggregate number of shares of Common Stock issuable with respect to a grant of Performance Units under the 2015 Employment Agreement for any fiscal year is specified as of the date of the 2015 Employment Agreement. Such number or numbers of shares shall be adjusted for stock splits, stock dividends, reclassifications, recapitalizations and similar events in respect of the Common Stock occurring after the date of the 2015 Employment Agreement.

For purposes of the Performance Units to be granted for each fiscal year, the Compensation Committee, subject to review and ratification by the Board of Directors, will set and establish the target and goal (the "PSU Annual Target") for Adjusted Operating Income Per Share (as defined below) for such fiscal year and for each of the two immediately following fiscal years (for a total of three fiscal years) within 90 days following the commencement of that initial fiscal year, provided, that if the Compensation Committee, subject to review and ratification of the Board of Directors, does not establish the PSU Annual Target for any of such fiscal years for any reason or no reason, the PSU Annual Target will automatically be established for each such fiscal year as a five percent (5%) increase and improvement in actual Adjusted Operating Income Per Share as compared to the Adjusted Operating Income Per Share for the immediately preceding year (assuming no change in the number of outstanding shares of Common Stock on a diluted weighted average common share basis as set forth in the Company's audited consolidated financial statements). If there has been a change in such number, the PSU Annual Target and such Actual Adjusted Operating Income Per Share will be correspondingly adjusted by the Compensation Committee. Pursuant to the 2015 Employment Agreement, "Adjusted Operating Income Per Share" means the Adjusted Operating Income divided by the number of outstanding shares of the Company's Common Stock on a diluted weighted average common share basis as reflected in the Company's audited consolidated financial statements.

For each grant of Performance Units, the amount of the grant that will be earned and paid will be determined by reference to the achievement of the Company of the PSU Annual Target for each of the two initial fiscal years (on a cumulative basis) and the three fiscal years (on a cumulative basis) applicable to such grant.

Performance Units Earned

Adjusted Operating Income Per Share Achievement Level	Performance as Percentage of Cumulative PSU Annual Target for Applicable Two or Three Year Period	Percentage of Units Earned (Per Grant)	Number of Earned Units (Per Grant)
Threshold	80-85%	50%	32,500
Target	100%	100%	65,000
Maximum	115-120%	125% (i.e., more than target award)	81,250

Performance Units for each grant may be earned over either a two fiscal year or three fiscal year period. Accordingly, if Performance Units with respect to a grant are earned in the first two fiscal years in relation to such grant, then those Performance Units shall be paid. If all of the Performance Units with respect to a grant are earned during such two fiscal years, then no additional Performance Units in relation to that grant shall be earned in the third fiscal year. If less than all of the Performance Units with respect to a grant are earned in the first two fiscal years in relation to that grant (due to shortfalls or otherwise), then any unearned Performance Units in relation to such grant shall be earned in the third fiscal year in relation to that grant to the extent that the number of Performance Units earned during the three fiscal years in relation to such grant exceeds the number of Performance Units earned in relation to such two fiscal years. For illustrative purposes only, if as a result of the Company's cumulative performance for the first two fiscal years, Mr. Kathwari would earn 65,000 Performance Units (each of which would represent one share of Common Stock (unless adjusted pursuant to the 2015 Employment Agreement, the applicable performance-based stock unit agreement and the Option Plan) and would be paid by issuance of such Common Stock after such results are certified by the Compensation Committee) and, as a result of the Company's cumulative performance for the first three fiscal years, Mr. Kathwari would earn 70,000 Performance Units, then Mr. Kathwari would earn an additional 5,000 Performance Units for fiscal year three (which would be similarly paid).

If the Adjusted Operating Income Per Share for an applicable two or three fiscal year period is between the Minimum Threshold and the PSU Annual Target, or the PSU Annual Target and the Maximum, the specific amount of the Performance Units earned in relation to a grant for that period will be linearly interpolated on a straight-line basis based on actual performance (as a percentage of PSU Annual Target), interpolated linearly either between the Minimum Threshold and the PSU Annual Target or between the PSU Annual Target and the Maximum, respectively, and then utilizing that same percentile for the determination of the number of Performance Units earned, interpolated linearly either between the Minimum Threshold and the PSU Annual Target or between the PSU Annual Target and the Maximum, respectively.

If the Company effects a major acquisition which constitutes a change of ownership or control of the Company within the meaning of Treas. Reg. Section 1.162-27(e)(2)(v) during any fiscal year, Mr. Kathwari and the Company shall negotiate in good faith an appropriate revision to the threshold amounts set forth above to implement the purpose of the Performance Units such that the Performance Units may be payable even if the threshold amounts are not achieved with respect to such fiscal year.

Mr. Kathwari's right to receive (or retain) any Performance Units or benefits for Performance Units is conditional upon the achievement of the PSU Annual Targets.

Moreover, Mr. Kathwari's right to receive (or retain) any Performance Units or benefits of the Performance Units will be subject to "clawback" or similar obligations set forth in Company's policies duly approved by the Board and required by applicable laws and regulations (including by any securities exchange) from time to time and applicable to the Company and Mr. Kathwari, and furthermore, will be subject to retention and restriction on sale, hedging, transfer or similar obligations in relation to Company executives set forth in Company policies duly approved by the Board.

In the event Mr. Kathwari's employment with the Company is terminated by reason of death or disability, he (or his estate) will receive salary continuation for twelve (12) months, an annual incentive bonus in respect of the full fiscal year in which the date of termination occurs, accelerated vesting of all restricted stock and options awarded and granted under the 2015 Employment Agreement, deferred compensation, life and disability insurance premiums, expense reimbursement and such other and customary benefits as the Company provides to its employees.

If Mr. Kathwari's employment is terminated by the Company without "cause", or by Mr. Kathwari "for good reason" he will receive salary continuation for twenty-four (24) months and a severance payment not to exceed \$2 million dollars, one additional year of vesting, for all outstanding stock options or restricted stock awards granted pursuant to the 2015 Employment Agreement, life and disability insurance premiums, and health and welfare benefits. Mr. Kathwari will also be subject to a twenty-four (24) month "non-compete" restrictive covenant.

If Mr. Kathwari's employment is terminated as a result of a change in control, he will receive salary continuation for twenty-four (24) months plus a severance payment not to exceed \$2 million dollars, immediate vesting of all outstanding stock options or restricted stock awards granted pursuant to the 2015 Employment Agreement, life and disability premiums, and health and welfare benefits. Mr. Kathwari will also be subject to a twenty-four (24) month "non compete" restrictive covenant granted by Mr. Kathwari for the benefit of the Company. If the payments described in this paragraph would constitute a "parachute payment" under Section 280G of the Internal Revenue Code (the "Code") and subject Mr. Kathwari to an excise tax under Section 4999 of the Code, the payments will be reduced to the extent necessary such that Mr. Kathwari will not be subject to an excise tax. However, such payments will not be reduced if, without the reduction, Mr. Kathwari would be entitled to receive and retain, on a net after-tax basis, a greater amount than he would be entitled to receive and retain after such reduction.

If Mr. Kathwari's employment is terminated for "cause", Mr. Kathwari will receive, in addition to payment of all compensation due or unreimbursed expenses as of the date of termination, deferred compensation in accordance with the terms of the applicable arrangement, as well as payment of life and disability insurance premiums and such other and customary benefits as the Company provides to its employees.

If Mr. Kathwari's employment is terminated as a result of retirement by Mr. Kathwari, he will receive his salary to the date of termination plus a prorated annual incentive bonus in respect of the fiscal year in which the date of termination occurs. There is no accelerated vesting of any restricted stock or options and any unvested equity awards will be forfeited. He will receive deferred compensation in accordance with the terms of the applicable arrangement, as well as payment of life and disability insurance premiums, health and welfare benefits, and such other and customary benefits as the Company provides for its employees.

The foregoing description of the Employment Agreement and the Performance-Based Stock Unit Agreement are qualified in their entirety by reference to such agreements, which are filed as Exhibit 10.1 and Exhibit 10.2 to this Form 8-K, and are incorporated herein by reference.

Adoption of Compensation and Benefit Plans

On September 29, 2015, the Company's Compensation Committee approved and the independent members of the Company Board of Directors ratified, a Change in Control Severance Plan (CIC Severance Plan). The CIC Severance Plan provides severance pay to key executives of the Company, other than the Chief Executive Officer, in the event the executive's employment is involuntarily terminated without "cause," or executive voluntarily terminates his/her employment for "good reason" within two years after a "change in control" of the Company, or is terminated in anticipation of a "change in control" of the Company. The CIC Severance Plan provides assurances that the Company will have the continued dedication of, and the availability of objective advice and counsel from, key executives of the Company notwithstanding the possibility, threat or occurrence of a change in control, and promotes the retention and continuity of certain key executives of the Company.

Following is a summary of several key terms of the CIC Severance Plan:

- “change in control” means the first to occur of: (1) the acquisition of 50% or more of the Company’s then-outstanding shares of common stock or the combined voting power of the Company’s then-outstanding voting securities; (2) the Company’s incumbent directors cease to constitute at least a majority of the board of directors of the Company, except in connection with the election of directors approved by a vote of at least a majority of the directors then comprising the incumbent Board of Directors of the Company; (3) consummation of the Company’s sale in a merger or similar transaction, or sale or other disposition of all or substantially all of the Company’s assets; or (4) approval by the Company’s shareholders of the Company’s complete liquidation or dissolution.
- “cause” means (1) the participant’s material misappropriation of the Company’s funds or property; (2) the participant’s unreasonable and persistent neglect or refusal to perform his or her duties which is not remedied in a reasonable period of time following notice from the Company; (3) conviction of the participant of a securities law violation; or (4) a finding by a court of competent jurisdiction in a civil action or by the Securities and Exchange Commission that the participant has violated any Federal or State securities law or pleading of nolo contendere, or conviction of a felony or pleading of nolo contendere to a felony.
- “good reason” means the occurrence after a change in control of any of the following without the participant’s express written consent, unless fully corrected prior to the date of termination: (1) the material diminution of the participant’s duties, authorities or responsibilities from those in effect immediately prior to the change in control; (2) a material reduction in the participant’s base salary or target bonus opportunity as in effect on the date immediately prior to the change in control; (3) the relocation of the participant’s office from the location at which the participant is principally employed immediately prior to the date of the change in control to a location 35 or more miles farther from the participant’s residence immediately prior to the change in control; (4) the failure by the Company to pay any material compensation or benefits due to the participant; (5) the failure of the Company to obtain a satisfactory agreement from any successor to assume and agree to perform the CIC Severance Plan; or (6) any purported termination of the participant’s employment that is not effected pursuant to a notice of termination satisfying the requirements of the CIC Severance Plan.

If triggered upon a qualifying termination of employment, the participant is entitled to receive a lump sum amount equal to the sum of (1) any unpaid base salary or bonus (to the extent the Participant was eligible for such bonus) through the date of termination; and (2) a prorated annual incentive bonus for the portion of the fiscal year elapsed prior to the termination date in an amount equal to the average annual incentive bonus the participant earned with respect to three fiscal years immediately prior to the fiscal year in which the termination date occurs prorated for the portion of the fiscal year elapsed prior to the termination date. Additionally, participants are paid a lump sum cash severance payment equal to one times the sum of (1) the participant’s annual base salary at the highest rate of salary during the 12-month period immediately prior to the termination date or, if higher, during the 12 month period immediately prior to the change in control (in each case, as determined without regard for any reduction for deferred compensation, 401(k) plan contributions and similar items), and (2) the higher of (A) the average annual bonus the participant earned with respect to the three fiscal years immediately prior to the fiscal year in which the change in control occurs; and (B) the average annual bonus the participant earned with respect to the three fiscal years immediately prior to the fiscal year in which the termination occurs.

Whether the Company sets any assets aside for the purposes of the CIC Incentive Plan, such assets shall at all times prior to payment to a participant be subject to the claims of the Company's creditors.

Benefits are subject to the participant executing a release and agreeing to certain restrictive covenants.

As of October 1, 2015, named executive officers participating under the CIC incentive plan and benefits payable under the CIC Incentive Plan in the event of a change in control were Daniel M. Grow (\$356,667), Eric D. Koster (\$385,000), Tracy C. Paccione (\$403,333) and Corey Whitely (\$616,667). A copy of the CIC incentive plan is filed as Exhibit 10.3 to this Form 8-K, and is incorporated herein by reference.

Item 8.01 Other Events.

On October 1, 2015, the Company issued a press release announcing that the Company will open a new Design Center in the Levis Commons shopping center in Toledo, OH on October 2, 2015. A copy of the press release is attached hereto as Exhibit 99.2 and hereby incorporated by reference.

Additional Information and Where to Find It

THE COMPANY AND ITS DIRECTORS AND EXECUTIVE OFFICERS MAY BE DEEMED TO BE PARTICIPANTS IN THE SOLICITATION OF PROXIES FROM THE COMPANY'S STOCKHOLDERS IN RESPECT OF THE 2015 ANNUAL MEETING. THE COMPANY PLANS TO FILE WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION A DEFINITIVE PROXY STATEMENT AND AN ACCOMPANYING PROXY CARD IN CONNECTION WITH THE 2015 ANNUAL MEETING (THE "2015 PROXY MATERIALS"). THE 2015 PROXY MATERIALS WILL CONTAIN IMPORTANT INFORMATION ABOUT THE COMPANY, ITS DIRECTORS AND EXECUTIVE OFFICERS, THE 2015 ANNUAL MEETING AND RELATED MATTERS. STOCKHOLDERS ARE STRONGLY URGED TO READ THE 2015 PROXY MATERIALS, ANY AMENDMENTS AND SUPPLEMENTS THERETO, AND THE ACCOMPANYING PROXY CARD CAREFULLY WHEN THEY ARE AVAILABLE. STOCKHOLDERS WILL BE ABLE TO OBTAIN FREE COPIES OF THE 2015 PROXY MATERIALS AND OTHER DOCUMENTS FILED WITH THE SEC BY THE COMPANY THROUGH THE WEB SITE MAINTAINED BY THE SEC AT WWW.SEC.GOV AND ON THE COMPANY'S WEB SITE AT HTTP://WWW.ETHANALLEN.COM/EN_US/INVESTOR-RELATIONS1.HTML. INFORMATION REGARDING THE IDENTITY OF POTENTIAL PARTICIPANTS, AND THEIR DIRECT OR INDIRECT INTERESTS, BY SECURITY HOLDINGS OR OTHERWISE, WILL BE SET FORTH IN THE 2015 PROXY MATERIALS.

Item 9.01.

Financial Statements and Exhibits.

(d) *Exhibits.*

See Index to Exhibits attached hereto.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ETHAN ALLEN INTERIORS INC.

Date: October 1, 2015

By: /s/ Corey Whitely

Corey Whitely

*Executive Vice President, Administration,
Chief Financial Officer and Treasurer*

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
10.1	Employment Agreement between the Company and M. Farooq Kathwari dated October 1, 2015
10.2	Form of Performance-Based Stock Unit Agreement
10.3	Change in Control Severance Plan
99.1	Press release dated October 1, 2015 announcing Director changes
99.2	Press release dated October 1, 2015 announcing new Design Center opening

EMPLOYMENT AGREEMENT

This Agreement (this "Agreement"), dated as of October 1, 2015, effective as of July 1, 2015, is made by and between Ethan Allen Interiors Inc., a Delaware corporation (the "Corporation") and its wholly owned subsidiary, Ethan Allen Global, Inc., a Delaware corporation (the "Subsidiary"), and M. Farooq Kathwari (the "Executive").

Recitals

1. The Executive is Chairman of the Board of Directors of the Corporation and of the Subsidiary, and is currently employed as the Chief Executive Officer and the President of the Corporation and of the Subsidiary.
2. The employment of the Executive by the Corporation was previously subject to employment agreements dated (a) July 27, 1994 (the "1994 Employment Agreement"), (b) October 28, 1997 (the "1997 Employment Agreement"), (c) November 1, 2002 as amended by the First Amendment dated as of November 1, 2002 and subject to the Assignment of Employment Agreement assigning the interests and obligations of Ethan Allen Retail Inc. (formerly known as Ethan Allen Inc.) to Ethan Allen Global, Inc. effective as of July 1, 2005 (collectively, the "2002 Employment Agreement"), (d) November 13, 2007 (the "2007 Employment Agreement") and (e) September 30, 2011, effective as of October 1, 2011, as amended as of March 14, 2013 (the "2011 Employment Agreement"). The 1994 Employment Agreement, the 1997 Employment Agreement, the 2002 Employment Agreement, the 2007 Employment Agreement and the 2011 Employment Agreement are hereinafter collectively referred to as the "Prior Employment Agreements."
3. Under the 2011 Employment Agreement, (a) the Corporation issued stock options under the Corporation's 1992 Stock Option Plan (as amended, the "Plan") pursuant to an Option Agreement, dated as of October 1, 2011 (the "2011 Option Agreement"), under which the final tranche of 60,000 options will vest in accordance with its terms as of June 30, 2016, and (b) the Corporation issued restricted stock under the Plan pursuant to a Restricted Stock Agreement, dated as of October 1, 2011 (the "2011 Restricted Stock Agreement"), under which the final tranche of 21,000 shares of restricted stock will vest in accordance with its terms as of June 30, 2016 (collectively, the "Final Tranche Awards").
4. Under the 2011 Employment Agreement, either the Corporation or the Executive is required to provide a renewal notice thereunder by September 30, 2015, and the Corporation desires to continue the services of the Executive as Chairman of the Board of Directors of the Corporation and the Subsidiary and the employment of the Executive with the Corporation and of the Subsidiary beyond the renewal and the term of the 2011 Employment Agreement and to enter into this new agreement embodying the terms of those continued relationships.
5. The Executive is willing to continue to serve as Chairman of the Board of Directors of the Corporation and the Subsidiary and is willing to accept continued employment by each of the Corporation and the Subsidiary on the terms set forth herein.

Agreement

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, and other good and valuable consideration, the Corporation, the Subsidiary, and the Executive hereby agree as follows.

1. **Definitions.**

- 1.1 "Adjusted Operating Income" has the meaning assigned in Section 5.2(d).
- 1.2 "Adjusted Operating Income Per Share" has the meaning set forth in Section 5.3(g).
- 1.3 "Affiliate" means any person or entity controlling, controlled by or under common control with the Corporation or the Subsidiary.
- 1.4 "AIB Annual Target" has the meaning assigned to it in Section 5.2.
- 1.5 "Board" means the Board of Directors of the Corporation.
- 1.6 "Cause" means (a) the Executive is convicted of a felony involving actual dishonesty as against the Corporation, the Subsidiary and/or any Affiliate, or (b) the Executive, in carrying out his duties and responsibilities under this Agreement, is guilty of gross neglect or gross misconduct resulting, in either case, in material economic harm to the Corporation, the Subsidiary and/or any Affiliate, and such conduct is not cured within thirty (30) days of the Corporation providing Notice of Termination (to take effect only if such conduct is not cured) to the Executive, unless such act, or failure to act, was believed by the Executive in good faith to be in the best interests of the Corporation, the Subsidiary and/or any Affiliate. For this purpose, good faith includes actions taken, or failures to act, based upon advice of counsel or advice of certified public accountant(s).
- 1.7 "Code" shall mean the U.S. Internal Revenue Code of 1986, as amended.
- 1.8 "Commencement Date" has the meaning assigned to it in Section 3.
- 1.9 "Date of Termination" means (a) in the case of a termination as a result of Disability, the date of a final determination of Disability pursuant to the process set forth in Section 1.10, (b) in the case of a termination for which a Notice of Termination is required, the date of actual receipt of such Notice of Termination or, if later, the date specified therein, as the case may be, and (c) in all other cases, the actual date on which the Executive's employment terminates during the Term of Employment.

- 1.10 "Disability" means the Executive is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months. Determination of Disability in accordance with this Agreement shall be made pursuant to the written medical opinion of an independent medical physician mutually acceptable to the Executive and the Corporation but in no event will the determination of Disability be made before the end of 12 months from date the Executive is unable to engage in substantial gainful activity. If the Executive and the Corporation cannot agree as to such an independent medical physician, each shall appoint one medical physician and those two physicians shall appoint a third physician who shall make such determination.
- 1.11 "Good Reason" means and shall be deemed to exist if, without the prior express written consent of the Executive:
- (a) The Executive is assigned any duties or responsibilities inconsistent in any material respect with the scope of the duties or responsibilities associated with the Executive's titles or positions, as set forth and described in Section 4
 - (b) the Executive suffers a reduction in the duties, responsibilities or effective authority associated with his titles and positions as set forth and described in Section 4;
 - (c) the Executive is not appointed to, or is removed from, the offices or positions provided for in Section 4.1;
 - (d) the Corporation fails to substantially perform any material term or provision of this Agreement, which failure is not cured within thirty (30) days after written notice by the Executive to the Corporation;
 - (e) the Executive's compensation provided for hereunder is decreased;
 - (f) the Executive's office location is changed to a location more than 50 miles from its location on the date hereof in Danbury, Connecticut;
 - (g) the Corporation fails to obtain the full assumption of this Agreement by a successor entity in accordance with Section 11.2 of this Agreement;
 - (h) the Corporation continually fails to reimburse the Executive for business expenses in accordance with Section 5.5 ;
 - (i) the Corporation purports to terminate the Executive's employment for Cause and such purported termination of employment is not effected in all material respects in accordance with the requirements of this Agreement;
 - (j) the Executive shall cease to serve as a director and Chairman of the Board of Directors of the Corporation and the Subsidiary;

- (k) the Board or the shareholders of the Corporation or the Subsidiary, either or both, as may be required to authorize the same, shall approve (i) any liquidation of the Corporation or the Subsidiary, or the sale of substantially all of the assets of the Corporation and the Subsidiary taken as a whole, or (ii) any merger, consolidation and/or other business combination involving the Corporation or the Subsidiary, or (iii) any combination of any such transactions (and any transaction or transactions described in the preceding clause (i), (ii) or (iii) is called a "Transaction"), other than a Transaction (A) involving only the Corporation and the Subsidiary or (B) immediately after which the shareholders of the Corporation who were shareholders immediately prior to such Transaction continue to own beneficially, directly or indirectly, in substantially similar proportions to those in effect immediately prior to such Transaction more than 50% of the then outstanding voting securities of the Corporation or the survivor, as applicable;
- (l) any Person (as defined below) or group (as such term is defined in Rule 13d-5 of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) of related Persons which is not an Affiliate as of the Commencement Date shall beneficially own, directly or indirectly, more than 50% of the then outstanding voting stock of the Corporation or the Subsidiary (for purposes of this Section 1.11, "Person(s)" means any individual, entity or other person, as defined in Section 3(a)(9) of the Exchange Act, and as used in Sections 13(d) and 14(d) thereof); or
- (m) the Board or the Corporation shall authorize, approve or engage in any Business Combination with an Interested Person, each as defined in Article Fifth of the Corporation's Restated Certificate of Incorporation;

provided that, notwithstanding the foregoing, Good Reason shall not (i) include Retirement or (ii) include or be deemed to exist, with regard to the circumstances described in clause (k), (l) or (m), if, with the express prior written consent of the Executive, the Executive immediately after the occurrence of the circumstances or transactions described in clause (k), (l) or (m) becomes Chairman, Chief Executive Officer and President of the parent corporation or of the person or entity that owns or controls the Corporation or its successor immediately after such circumstances or transaction (or is offered such positions, but declines).

1.12 "Notice of Termination" means, as to any termination of the Executive's employment by the Corporation or the Subsidiary or by the Executive that requires a "Notice of Termination", notice shall be in writing and shall be communicated in accordance with Section 12.3 of this Agreement (a) indicating the specific termination provision in this Agreement relied upon, (b) setting forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, as applicable, and (c) if the termination date is other than the date of receipt of such notice, specifying the date on which the Executive's employment is to be terminated (which date shall not be earlier than the date on which such notice is actually given).

- 1.13 "Stock Unit" has the same meaning as in the Stock Option Plan.
- 1.14 "Stock Unit Agreement" has the meaning set forth in Section 5.3.
- 1.15 "Restricted Stock" has the same meanings as in the Stock Option Plan.
- 1.16 "Performance-Based Stock Unit Agreement" has the meaning set forth in Section 5.3.
- 1.17 "Retirement" means the Executive's voluntary termination of his employment with the Corporation and/or the Subsidiary on his own initiative for any reason (other than (a) a termination due to Disability or (b) a Termination for Good Reason) at any time after the Commencement Date of this Agreement upon giving the Notice of Termination required in Section 6.4.
- 1.18 "Stock Option Agreement" has the meaning set forth in Section 5.4.
- 1.19 "Stock Option Plan" means the Corporation's 1992 Stock Option Plan, as amended and modified from time to time.
- 1.20 "Term of Employment" has the meaning assigned to it in Section 3.
- 1.21 "Change in Control" shall be deemed to be triggered if:
- (a) the Board or the shareholders of the Corporation or the Subsidiary, either or both, as may be required to authorize the same, shall approve a Transaction (as defined in Section 1.11), other than a Transaction (A) involving only the Corporation and the Subsidiary or (B) immediately after which the shareholders of the Corporation who were shareholders immediately prior to such Transaction continue to own beneficially, directly or indirectly, in substantially similar proportions to those in effect immediately prior to such Transaction more than 50% of the then outstanding voting securities of the Corporation or the survivor, as applicable, provided, that, in the case of a sale of assets, merger, combination or other business combination within the meaning of a Transaction, a Change in Control shall not be deemed to have been triggered until such Transaction shall have been consummated;
 - (b) any Person (as defined in Section 1.11) or group (as such term is defined in Section 1.11) of related Persons which is not an Affiliate as of the Commencement Date shall beneficially own, directly or indirectly, more than 50% of the then outstanding voting stock of the Corporation or the Subsidiary; or
 - (c) the Board or the Corporation shall authorize, approve or engage in any Business Combination with an Interested Person, each as defined in Article Fifth of the Corporation's Restated Certificate of Incorporation, provided, that a Change in Control shall not be deemed to have been triggered until such Business Combination shall have been consummated.

2. **Employment.**

- 2.1 The Corporation and the Subsidiary acknowledge and agree that the Executive has fully and satisfactorily performed his obligations under the Prior Employment Agreements. The Executive acknowledges and agrees that the Corporation and the Subsidiary have fully and satisfactorily performed their respective obligations under the Prior Employment Agreements, subject, however, to (a) any remaining compensation or benefits due with respect to services rendered prior to the Commencement Date, including the fulfillment of the Final Tranche Awards in accordance with the 2011 Options Agreement and the 2011 Restricted Stock Agreement.
- 2.2 Upon execution of this Agreement, the terms of Executive's employment shall cease to be governed by the 2011 Employment Agreement and such cessation shall be effective as of the Commencement Date of this Agreement, provided however, that (a) any compensation and other benefits including but not limited to Base Salary, Restricted Stock Awards and Stock Options earned by the Executive for services rendered prior to the Commencement Date of this Agreement, and the Annual Incentive Bonus for the fiscal year ending June 30, 2015, shall continue to be governed by the 2011 Employment Agreement, and (b) the Final Tranche Awards will continue to be subject to the vesting and other provisions in the 2011 Option Agreement and the 2011 Restricted Stock Agreement. Also, nothing contained in this Agreement shall adversely affect any continuing obligations of the Corporation, the Subsidiary or any Affiliate to the Executive under any Prior Employment Agreements.
- 2.3 Subject to the terms and provisions set forth in this Agreement, the Corporation hereby employs the Executive during the Term of Employment as the Chief Executive Officer and President of the Corporation, agrees to use its best efforts to cause Executive to be elected by the Corporation's shareholders as a director and Chairman of the Board of the Corporation, and to cause the Executive to be a director and Chairman of the Board of Directors of the Subsidiary during the Term of Employment and agrees to cause the Subsidiary at all times during the Term of Employment to employ the Executive as Chief Executive Officer and President of the Subsidiary, and the Executive hereby accepts such employment. However, nothing in this Agreement shall be construed to require that the Executive be elected as a director of the Corporation's Board of Directors on any date if he is not employed by the Corporation on the election date.

3. **Commencement Date and Term of Employment**

- 3.1 The term of employment under this Agreement shall commence as of July 1, 2015 (the "Commencement Date"), and shall, unless extended as hereinafter provided, terminate with the close of business on June 30, 2020, unless sooner terminated pursuant to the terms hereof (the "Term of Employment").

3.2 On each of July 1, 2020 and July 1, 2021, the Term of Employment shall automatically be extended for an additional one year period unless, not later than nine months prior to any such anniversary, either party to this Agreement shall have given written notice to the other that the Term of Employment shall not be extended or further extended beyond its then already automatically extended term, if any.

4. **Positions, Responsibilities and Duties.**

4.1 Positions. During the Term of Employment, the Executive shall be employed as, and the Corporation shall at all times cause the Executive to be, the Chief Executive Officer and President of the Corporation and the Subsidiary. In such positions, the Executive shall have the duties, responsibilities and authority normally associated with the office and position of chairman, director, chief executive officer and president of a substantial, publicly traded corporation, but in no event shall the Executive's duties, responsibilities and/or effective authority with respect to the Corporation and/or the Subsidiary be less than the duties, responsibilities and/or effective authority the Executive possessed immediately prior to the date of this Agreement. No other employee of the Corporation or the Subsidiary shall have authority and responsibilities that are equal to or greater than those of the Executive. The Executive shall report solely and directly to the Board and all other officers and other employees of the Corporation and the Subsidiary shall report directly to the Executive or the Executive's designees. No provision of this Section 4.1, however, shall preclude the Board from soliciting information from any officer or employee of the Corporation.

4.2 Duties. During the Term of Employment, the Executive shall devote such time as is reasonably necessary to perform the duties associated with his offices and positions as set forth in Section 4.1 and shall use his best efforts to perform faithfully and efficiently the duties and responsibilities contemplated by this Agreement; provided, however, that the Executive shall not be required to perform any duties and responsibilities which would be likely to result in non-compliance with or violation or breach of any applicable law or regulation. The Executive's duties shall include, but not be limited to, participating in the Corporation's planning for executive leadership succession. Notwithstanding the foregoing provisions of this Section 4.2, during the Term of Employment, the Executive may devote reasonable time to activities other than those required under this Agreement, including the supervision of his personal investments, and activities involving professional, charitable, educational, religious and similar types of organizations, speaking engagements, membership on the boards of directors of other organizations, and similar type activities, to the extent that such other activities do not inhibit or prohibit the performance of the Executive's duties under this Agreement, or conflict in any material way with the business of the Corporation or the Subsidiary; provided, however, that the Executive shall not serve on the board of any business, or hold any other position with any business without the consent of the Board.

4.3 Non-Disparagement. The Executive agrees that, while he is employed by the Corporation, and after his Date of Termination, he shall not make any false, defamatory or disparaging statements about the Corporation, the Subsidiary, any Affiliate, or the officers or directors of the Corporation, the Subsidiary or any Affiliate that are reasonably likely to cause material damage to the Corporation, the Subsidiary, any Affiliate, or the officers or directors of the Corporation, the Subsidiary, or any Affiliate. While the Executive is employed by the Corporation, and after his Date of Termination, the Corporation agrees, on behalf of itself, the Subsidiary and the Affiliates, that none of the Corporation, the Subsidiary, any Affiliate or any officer or director of the Corporation, the Subsidiary, or any Affiliate shall make any false, defamatory or disparaging statements about the Executive that are reasonably likely to cause material damage to the Executive.

5. **Compensation and Other Benefits.**

5.1 Base Salary. Throughout the Term of Employment, the Executive shall receive a base salary ("Base Salary"), payable in equal bi-weekly installments, of \$1,150,000 per annum, unless a different Base Salary is agreed upon in writing by the Corporation and the Executive.

5.2 Annual Incentive Bonus.

- (a) During the Term of Employment, the Executive will be eligible to earn an annual incentive bonus (the "Annual Incentive Bonus" or "AIB"), subject to approval by the shareholders of the Corporation of the incentive performance components of this Agreement payable in accordance with Section 162(m) of the Internal Revenue code and the regulations issued thereunder, based upon the Adjusted Operating Income for each fiscal year during the Term of Employment beginning with the fiscal year ending June 30, 2016. It is intended that the AIB shall qualify for deduction under IRC Section 162(m). The Executive will only be entitled to receive the Annual Incentive Bonus with respect to a fiscal year if and to the extent the Adjusted Operating Income performance targets and goals, described below, are achieved.
- (b) For purposes of the Annual Incentive Bonus for each fiscal year, the Compensation Committee of the Board (the "Compensation Committee"), subject to review and ratification by the Board, will set and establish the target and goal (the "AIB Annual Target") for Adjusted Operating Income for such fiscal year within 90 days following the commencement of that fiscal year, provided, that if the Compensation Committee, subject to review and ratification of the Board, does not set and establish the AIB Annual Target for any fiscal year for any reason or no reason, then the AIB Annual Target for that fiscal year will automatically be set and established as a five percent (5%) increase and improvement in Adjusted Operating Income as compared to the actual Adjusted Operating Income for the immediately preceding fiscal year. For the avoidance of doubt, the AIB Annual Target is established on a single fiscal year basis, even if the PSU Annual Targets are established pursuant to Section 5.3 for multiple fiscal years.

- (c) For each fiscal year during the Term of Employment, the Annual Incentive Bonus earned by the Executive will be determined by reference to the achievement of the Corporation of its Adjusted Operating Income for that fiscal year measured against the AIB Annual Target for that fiscal year as follows:

Annual Incentive Bonus Payout

Adjusted Operating Income Achievement Level	Performance (as Percentage of AIB Annual Target)	Payout (as Percentage of Base Salary)	Annual Incentive Bonus Amount
Minimum Threshold	Ⓢ 80-85%	Ⓢ 33%	Ⓢ \$375,000
AIB Annual Target	Ⓢ 100%	Ⓢ 65%	Ⓢ \$750,000
Maximum	Ⓢ 120-130%	Ⓢ 148%	Ⓢ \$1,700,000

For the avoidance of doubt, the Executive shall not be entitled to earn or receive any AIB for a fiscal year where the actual Achievement Level is less than 80% of the AIB Annual Target for such fiscal year (but the failure to earn and receive an AIB for any fiscal year will not affect the right to receive an AIB earned for a subsequent fiscal year).

If the Adjusted Operating Income for a fiscal year is between the Minimum Threshold and the AIB Annual Target, or the AIB Annual Target and the Maximum, the specific amount of the Annual Incentive Bonus for that fiscal year will be linearly interpolated on a straight line basis based on actual performance (as a percentage of the AIB Annual Target), interpolated linearly either between the Minimum Threshold and the AIB Annual Target or between the AIB Annual Target and the Maximum, respectively, and then utilizing that same percentile for the determination of the Annual Incentive Bonus, interpolated linearly either between the Minimum Threshold and the AIB Annual Target or between the AIB Annual Target and the Maximum, respectively.

- (d) For purposes of computing the Executive's Annual Incentive Bonus, the "Adjusted Operating Income" for each fiscal year shall be consolidated operating income of the Corporation as set forth in the Corporation's audited consolidated financial statements for such fiscal year, adjusted by adding thereto the charges, expenses or accruals, if any, charged against such operating income for (1) nonrecurring, extraordinary or unusual events, (2) annual bonuses, both incentive and discretionary, to officers and managers, including the Annual Incentive Bonus, (3) share-based compensation expense recognized in accordance with ASC 718, or otherwise, including in respect of the issuance to the Corporation's executives, managers, employees, dealers and other business associates of capital stock of the Corporation, or the issuance or exercise to or by such persons of options, warrants or other rights to acquire capital stock of the Corporation, stock appreciation rights of the Corporation or similar equity equivalents, including in respect of a restricted stock agreement (including the 2011 Restricted Stock Agreement), the Performance-Based Stock Unit Agreement and the Stock Option Agreements contemplated by this Agreement and the Prior Employment Agreements, and (4) any increased depreciation, amortization or other charges resulting from purchase accounting adjustments by virtue of acquisitions or business combinations by the Corporation, the Subsidiary or any Affiliate (provided, however, that no such adjustments shall be made under this clause (4) with respect to acquisitions occurring prior to the Commencement Date). The Compensation Committee shall not exercise any discretion in determining the Corporation's Adjusted Operating Income pursuant to this Section 5.2.
- (e) Notwithstanding the foregoing provisions of this Section 5.2, if the Corporation effects a major acquisition which acquisition constitutes a change of ownership or control of the Corporation within the meaning of Treas. Reg. Section 1.162-27(e)(2)(v) during any fiscal year, the Executive and the Corporation shall negotiate in good faith an appropriate revision to the threshold amount set forth in this Section 5.2 to implement the purpose of the Annual Incentive Bonus such that the Annual Incentive Bonus may be payable even if the threshold amount is not achieved with respect to such fiscal year. However, in no event shall an acquisition or change in control be a Change in Control, unless the change in control is also a Change in Control pursuant to Section 1.21.
- (f) As soon as practicable after the end of each fiscal year but before an Annual Incentive Bonus is paid in respect of such fiscal year, the Compensation Committee shall certify in writing (i) whether (and the extent to which) the performance goals described in Section 5.2 of this Agreement have been attained and (ii) the amount of the Annual Incentive Bonus payable in respect of such fiscal year. Under no circumstance may the Annual Incentive Bonus be greater than the amount described in this Section 5.2. The Annual Incentive Bonus in respect of any particular fiscal year will be paid upon the earlier to occur of the fifth business day following public filing or disclosure of the Corporation's audited consolidated financial statements for such fiscal year or the 120th day following the end of such fiscal year.
- (g) Notwithstanding any other provision in this Agreement to the contrary, the Executive's right to receive (or retain) any Annual Incentive Bonus is conditional upon the achievement of the performance levels described in this Section 5.2.

- (h) For the avoidance of doubt, (i) the ceilings and limits on the annual incentive bonus in the 2011 Employment Agreement will not be applicable to the Annual Incentive Bonus under this Agreement, (ii) the AIB Annual Target for purposes of this Agreement need not cover the multiple years reflected in the PSU Annual Targets and may differ from the PSU Annual Targets, including the Adjusted Operating Income targets and goals implicit therein, (iii) the AIB Annual Target for purposes of this Agreement may differ from earnings or other forecasts, budgets or guidance provided by the Corporation in its discretion to analysts, investors, rating agencies and other persons, (iv) the AIB Annual Target for purposes of this Agreement may differ from forecasts or budgets considered or utilized internally by the Corporation, including for bonus, incentive or stock awards, (v) the AIB Annual Target will not be presented, viewed or relied upon as a forecast, projection or guidance by the Corporation or the Board, and (vi) the Corporation will not, by virtue of this Agreement, be required to publicly disclose the AIB Annual Target except as necessary to comply with applicable securities laws, rules and regulations.
- (i) Notwithstanding any provisions in this Agreement to the contrary, the Executive's right to receive (or retain) any Annual Incentive Bonus will be subject to "clawback" or similar obligations set forth in Corporation policies duly approved by the Board and required by applicable laws and regulations (including by any securities exchange) from time to time and applicable to the Corporation and the Executive.
- (j) Notwithstanding any provision in this Agreement to the contrary, the Corporation will not be restricted or limited, by this Agreement, from providing incentive or bonus compensation to the Executive approved by the Compensation Committee, subject to review and ratification by the Board, in addition to, or separate from, the Annual Incentive Bonus provided in this Agreement.

5.3 Performance-Based Restricted Stock Units. During the Term of Employment, the Executive shall be granted performance-based restricted Stock Units, subject to approval by the shareholders of the Corporation of the incentive performance components of this Agreement payable in accordance with Section 162(m) of the Internal Revenue code and the regulations issued thereunder, providing a contingent right to receive shares of Common Stock (as defined in the Stock Option Plan), conditioned upon the Corporation's achievement of performance targets and goals described in this Section 5.3, under the Stock Option Plan and subject to the terms of this Agreement and a separate performance-based stock unit agreement which shall be executed by the Executive and the Corporation in substantially the form of Exhibit A hereto (the "Performance-Based Stock Unit Agreement"). Such Stock Units are also referred to as "Performance Units" for purposes of this Agreement. It is intended that such Performance Units and the shares issuable thereunder shall qualify for deduction under IRC Section 162(m).

- (a) Each fiscal year in the Term of Employment, the Executive will be granted Performance Units entitling the Executive to earn 0 to 81,250 shares of Common Stock, with each such grant to be made within ninety (90) days of the beginning of each such fiscal year and earning of such shares to be contingent upon the performance of the Corporation in accordance with this Agreement and the applicable Performance-Based Stock Unit Agreement, such that Performance Units in relation to up to 406,250 shares of Common Stock could be earned during the full Term of Employment.
- (b) The number of shares of Common Stock issuable in respect of each Performance Unit as of the date of this Agreement is one share and the aggregate number of shares of Common Stock issuable with respect to a grant of Performance Units under this Agreement for any fiscal year is specified as of the date of this Agreement. Such number or numbers of shares shall be adjusted for stock splits, stock dividends, reclassifications, recapitalizations and similar events in respect of the Common Stock occurring after the date of this Agreement.
- (c) For purposes of the Performance Units to be granted for each fiscal year, the Compensation Committee, subject to review and ratification by the Board, will set and establish the target and goal (the "PSU Annual Target") for Adjusted Operating Income Per Share for such fiscal year and for each of the two immediately following fiscal years (for a total of three fiscal years) within 90 days following the commencement of that initial fiscal year, provided, that if the Compensation Committee, subject to review and ratification of the Board, does not set and establish the PSU Annual Target for any of such fiscal years for any reason or no reason, then the PSU Annual Target will automatically be set and established for each such fiscal year as a five percent (5%) increase and improvement in actual Adjusted Operating Income Per Share as compared to the Adjusted Operating Income Per Share for the immediately preceding year, assuming no change in the number of outstanding shares of Common Stock on a diluted weighted average common share basis as set forth in the Corporation's audited consolidated financial statements. If there shall have been a change in such number, the PSU Annual Target and such Actual Adjusted Operating Income Per Share shall be correspondingly adjusted by the Compensation Committee. "Adjusted Operating Income Per Share" shall mean the Adjusted Operating Income divided by the number of outstanding shares of Common Stock on a diluted weighted average common share basis as reflected in such financial statements.
- (d) For each grant of Performance Units, the amount of the grant that will be earned and paid will be determined by reference to the achievement of the Corporation of the PSU Annual Target for each of the two initial fiscal years (on a cumulative basis) and the three fiscal years (on a cumulative basis) applicable to such grant.

Performance Units Earned

Adjusted Operating Income Per Share Achievement Level	Performance as Percentage of Cumulative PSU Annual Target for Applicable Two or Three Year Period	Percentage of Units Earned (Per Grant)	Number of Earned Units (Per Grant)
Threshold	Ⓣ 80-85%	Ⓣ 50%	Ⓣ 32,500
Target	Ⓣ 100%	Ⓣ 100%	Ⓣ 65,000
Maximum	Ⓣ 115-120%	Ⓣ 125% (i.e., more than target award)	Ⓣ 81,250

Performance Units for each grant may be earned over either a two fiscal year or three fiscal year period. Accordingly, if Performance Units with respect to a grant are earned in the first two fiscal years in relation to such grant, then those Performance Units shall be paid. If all of the Performance Units with respect to a grant are earned during such two fiscal years, then no additional Performance Units in relation to that grant shall be earned in the third fiscal year. If less than all of the Performance Units with respect to a grant are earned in the first two fiscal years in relation to that grant (due to shortfalls or otherwise), then any unearned Performance Units in relation to such grant shall be earned in the third fiscal year in relation to that grant to the extent that the number of Performance Units earned during the three fiscal years in relation to such grant exceeds the number of Performance Units earned in relation to such two fiscal years. For illustrative purposes only, if, as a result of the Company's cumulative performance for fiscal year one and two, the Executive would earn 65,000 Performance Units (each of which would represent one share of Common Stock unless an adjustment is provided herein, in the applicable Performance-Based Stock Unit Agreement and the Stock Option Plan and which would be paid by issuance of such Common Stock after such results are certified as provided herein) and, as a result of the Company's cumulative performance for fiscal year one, two and three, the Executive would earn 70,000 Performance Units, then the Executive would earn an additional 5,000 Performance Units for fiscal year three (which would be similarly paid).

If the Adjusted Operating Income Per Share for an applicable two or three fiscal year period is between the Minimum Threshold and the PSU Annual Target, or the PSU Annual Target and the Maximum, the specific amount of the Performance Units earned in relation to a grant for that period will be linearly interpolated on a straight line basis based on actual performance (as a percentage of PSU Annual Target), interpolated linearly either between the Minimum Threshold and the PSU Annual Target or between the PSU Annual Target and the Maximum, respectively, and then utilizing that same percentile for the determination of the number of Performance Units earned, interpolated linearly either between the Minimum Threshold and the PSU Annual Target or between the PSU Annual Target and the Maximum, respectively.

- (e) Notwithstanding the foregoing provisions of this Section 5.3, if the Corporation effects a major acquisition which acquisition constitutes a change of ownership or control of the Corporation within the meaning of Treas. Reg. Section 1.162-27(e)(2)(v) during any fiscal year, the Executive and the Corporation shall negotiate in good faith an appropriate revision to the threshold amount set forth in this Section 5.3 to implement the purpose of the Performance Units year such that the Performance Units may be payable even if the threshold amount is not achieved with respect to such fiscal year. However, in no event shall an acquisition or change in control be a Change in Control, unless the change in control is also a Change in Control pursuant to Section 1.21.
- (f) As soon as practicable after the end of each applicable two or three fiscal year period but before the amount of earned Performance Units is determined in respect of such period, the Compensation Committee shall certify in writing (i) whether (and the extent to which) the performance goals described in Section 5.3 of this Agreement have been attained and (ii) the number of Performance Units earned for each grant in respect of such period. Under no circumstance may the amount of earned Performance Units be greater than the amount described in this Section 5.3. The shares of Common Stock underlying earned Performance Units in respect of any particular fiscal year will be issued and paid upon the earlier to occur of the fifth business day following public filing or disclosure of the Corporation's audited consolidated financial statements for such fiscal year or the 120th day following the end of such fiscal year.
- (g) Notwithstanding any other provision in this Agreement to the contrary, the Executive's right to receive (or retain) any Performance Units or benefits for Performance Units is conditional upon the achievement of the PSU Annual Targets described in this Section 5.3.
- (h) For the avoidance of doubt, (i) the PSU Annual Target for purposes of this Agreement may differ from the AIB Annual Target, including the Adjusted Operating Income targets and goals implicit therein, (ii) the PSU Annual Target for purposes of this Agreement may differ from earnings or other forecasts, budgets or guidance provided by the Corporation to analysts, investors, rating agencies and other persons, (iii) the PSU Annual Target for purposes of this Agreement may differ from forecast or budgets considered or utilized internally by the Corporation, including for bonus, incentive or stock awards, (iv) the PSU Annual Target will not be presented, viewed or relied upon as a forecast, projection or guidance by the Corporation or the Board, and (v) the Corporation will not, by virtue of this Agreement, be required to publicly disclose the PSU Annual Target, except as necessary to comply with applicable securities laws, rules and regulations.

- (i) The Executive may elect to defer his receipt of shares earned under the Performance Units granted pursuant hereto, in whole or in part, subject to compliance with Code Section 409A (the "Deferred Shares"). Such deferral will be subject to the terms and conditions of any deferral plan then in effect or, if no plan is then in effect, to approval by the Compensation Committee.
- (j) Notwithstanding any provisions in this Agreement to the contrary, the Executive's right to receive (or retain) any Performance Units or benefits of the Performance Units will be subject to "clawback" or similar obligations set forth in Corporation policies duly approved by the Board and required by applicable laws and regulations (including by any securities exchange) from time to time applicable to the Corporation and the Executive, and furthermore, will be subject to retention and restriction on sale, hedging, transfer or similar obligations in relation to Corporation executives set forth in Corporation policies duly approved by the Board.

5.4 Expense Reimbursement. During the Term of Employment, the Executive shall be entitled to receive prompt reimbursement for all usual, customary, and reasonable business-related expenses incurred by the Executive in performing his duties and responsibilities hereunder in accordance with the practices and procedures of the Corporation as in effect and applied immediately prior to the Commencement Date, including without limitation an automobile and driver allowance and/or reimbursement in accordance with past practices, or, if more favorable to the Executive, as provided by the Corporation or the Subsidiary at any time thereafter. Up to 10% of the use of the Corporation-provided automobile may be for personal use.

5.5 Vacation and Fringe Benefits.

- (a) During the Term of Employment, the Corporation shall reimburse the Executive for life and disability insurance in respect of the Executive for the benefit of Executive and/or his beneficiary(ies). The aggregate amount of such insurance coverage reimbursed by the Corporation shall be determined by the premium cost; the Corporation shall pay an aggregate annual premium of \$50,000 for such coverage, or such lesser amount as the Corporation and the Executive determine.
- (b) During the Term of Employment, the Executive shall also be entitled to such paid vacation, fringe benefits and perquisites as provided to the Executive by the Corporation and/or the Subsidiary immediately prior to the Commencement Date or, if more favorable to the Executive, as provided by the Corporation or the Subsidiary at any time thereafter.
- (c) To the extent that the Executive's rights to compensation or benefits under any applicable plan, agreement or other governing document are to be determined based on the length of his employment with the Corporation or the Subsidiary, all periods of employment with the Corporation, the Subsidiary or the predecessor of either of them shall be counted unless prohibited by the applicable plan, agreement or other governing document.

- 5.6 Office and Support Staff. Unless the Executive otherwise agrees in writing, during the Term of Employment the Executive shall be entitled to executive secretarial and other administrative assistance of a type and extent, and to an office or offices (with furnishings and other appointments) of a type and size, at least equal to that provided to the Executive immediately prior to the Commencement Date of this Agreement.
6. Termination. Prior to the expiration of the Term of Employment, the Executive's employment under this Agreement may be terminated only in the manner set forth in this Section 6.
- 6.1 Termination Due to Death or Disability. The Corporation may terminate the Executive's employment hereunder due to Disability, and the Executive's employment hereunder shall terminate in the event of his death. In the event of the Executive's death or a termination of the Executive's employment by the Corporation due to Disability, the Executive, or his beneficiary (as defined in Section 12.7 of this Agreement), as the case may be, shall be entitled to receive:
- (a) Base Salary continuation at the rate in effect on the Date of Termination in the case of death or Notice of Termination in the case of Disability (as provided for by Section 5.1 of this Agreement) through the Date of Termination and for a period of twelve (12) months from and after the Date of Termination, payable in accordance with the Corporation's standard payroll practices;
 - (b) if and to the extent the applicable performance goals are achieved as determined in accordance with Section 5.2 of this Agreement, the Annual Incentive Bonus in respect of the full fiscal year in which the Date of Termination occurs shall be payable at the same time such Annual Incentive Bonus would have been paid had the Executive's employment not terminated;
 - (c) any Performance Unit grants that are due to be received by the Executive on or before the Date of Termination shall be granted and all Performance Unit grants outstanding on the Date of Termination shall remain outstanding and be subject to vesting and earning in accordance with this Agreement, the applicable Performance-Based Stock Unit Agreement and the Stock Option Plan, provided, however, there will be no further annual grants of Performance Units after the Date of Termination;
 - (d) any Options that are due to be granted under any agreement executed after the effective date of this Agreement shall be granted and all Options outstanding on the Date of Termination shall fully vest as of the Date of Termination, provided, however, that any Options that are not granted and vested as of the Date of Termination (even if they would otherwise be receivable under this Section 6.1(d)) shall be forfeited;

- (e) any deferred compensation not previously paid to the Executive (including, without limitation, interest or other credits on such deferred amounts), which shall be paid at the time provided in the applicable deferred compensation plan, and any accrued vacation pay and insurance proceeds;
- (f) reimbursement for expenses incurred but not paid prior to the Date of Termination;
- (g) aggregate annual premiums for insurance coverage in respect of the life and Disability insurance referred to in Section 5.6(a) through the Date of Termination in the event of death, and through the Date of Termination and for a period of twelve (12) months from and after the Date of Termination in the event of a Disability, to be paid in a lump sum no later than seventy-five (75) days following the Date of Termination; and
- (h) any other compensation or benefits (without duplication of deferred compensation, vacation pay and insurance as provided above in this Section) which may be owed or provided to the Executive in accordance with the terms and provisions of any applicable agreements, plans and programs of or made by the Corporation and/or the Subsidiary.

In addition, the Executive's family shall be entitled to receive benefits at least equal to the most favorable benefits provided by the Corporation to surviving families of employees of the Corporation under such plans, programs, practices and policies relating to family death benefits, if any, in accordance with the most favorable plans, programs, practices and policies of the Corporation in effect on the date of the Executive's death with respect to other key employees of the Corporation and their families.

Anything in this Agreement to the contrary notwithstanding, the Executive shall be entitled after the Date of Termination due to Disability to receive disability and other benefits at least equal to the most favorable of those provided by the Corporation to disabled employees and/or their families in accordance with such plans, programs, practices and policies relating to disability, if any, in effect at any time during the 90-day period immediately preceding the Date of Termination due to Disability with respect to other key employees of the Corporation and their families.

- 6.2 Termination by the Corporation for Cause. The Corporation may terminate the Executive's employment hereunder for Cause (as "Cause" is defined in Section 1.6) as provided in this Section 6.2. In any case described in this Section 6.2, the Executive shall be given written Notice of Termination authorized by a vote of at least a majority of the members of the Board that the Corporation intends to terminate the Executive's employment for Cause. Such written Notice of Termination for Cause may be given only within ninety (90) business days after a director of the Corporation (excluding the Executive) has actual knowledge of the events giving rise to such purported Cause. The Executive shall be given the opportunity within 30 calendar days of the receipt of such Notice of Termination to meet with the Board to defend such act or acts, or failure to act, and, if such act or failure to act is correctable, the Executive shall be given 30 business days after such meeting to correct such act or failure to act. If such act or failure to act is not correctable or upon failure of the Executive, within such latter 30 day period, to correct such act or failure to act, the Executive's employment by the Corporation shall automatically be terminated under this Section 6.2 for Cause as of the date determined in Section 1.6 of this Agreement. Anything herein to the contrary notwithstanding, if, following a termination of the Executive's employment by the Corporation for Cause based upon the conviction of the Executive for a felony involving actual dishonesty as against the Corporation, Subsidiary or an Affiliate, such conviction is overturned on appeal, the Executive shall be entitled to the payments and benefits that the Executive would have received as a result of a termination of the Executive's employment by the Corporation without Cause in a lump sum no later than 75 days following the date the conviction is overturned.

If the Corporation terminates the Executive's employment hereunder for Cause, the Executive shall be entitled to receive subject to the Executive's continued compliance with all confidentiality, on-competition and other restrictive covenants:

- (a) Base Salary continuation at the rate in effect on the date of Notice of Termination (as provided for by Section 5.1 of this Agreement) through the Date of Termination, payable in accordance with the Corporation's standard payroll practices;
- (b) any Performance Unit grants that are due to be received by the Executive on or before the Date of Termination shall be granted and all Performance Unit grants outstanding on the Date of Termination shall remain outstanding and be subject to vesting and earning in accordance with this Agreement, the applicable Performance-Based Stock Unit Agreement and the Stock Option Plan, provided, however, that there will be no further annual grants of Performance Units after the Date of Termination and any unvested Performance Units grants (even if they would otherwise be receivable under this Section 6.2(b)) and any unvested Restricted Stock or Restricted Stock Units under the Prior Employment Agreements shall be immediately forfeited;
- (c) any Options that are due to be granted to the Executive on or before the Date of Termination pursuant to any agreement executed after the effective date of this Agreement, shall be granted, provided, however, that there will be no further annual grants of Options after the Date of Termination and any unvested Options that are not granted nor vested as of the Date of Termination (even if they would otherwise be receivable under this Section 6.2(c)) shall be forfeited;
- (d) any deferred compensation not previously paid to the Executive (including, without limitation, interest or other credits on such deferred amounts), which shall be paid at the time provided in the applicable deferred compensation plan, and any accrued vacation pay;

- (e) reimbursement for expenses incurred but not paid prior to the Date of Termination;
- (f) aggregate annual premiums for insurance coverage through the Date of Termination in respect of the life and Disability insurance referred to in Section 5.6(a); to be paid in a lump sum no later than seventy-five (75) days following the Date of Termination; and
- (g) any other compensation or benefits (without duplication of deferred compensation, vacation pay and insurance as provided above in this Section) which may be owed or provided to the Executive in accordance with the terms and provisions of any applicable agreements, plans and programs of or made by the Corporation and/or the Subsidiary.

6.3 Termination by the Corporation Without Cause or Termination by the Executive For Good Reason. The Corporation shall be permitted to terminate the Executive's employment hereunder without Cause but only in accordance with the Notice of Termination provisions of this Agreement; and the Executive shall be permitted to terminate his employment hereunder for Good Reason only in accordance with the Notice of Termination provisions of this Agreement. For purposes of this Agreement, such a termination of employment by the Executive shall constitute a "Termination for Good Reason" only if effected in accordance with the Notice of Termination provisions of this Agreement. Such written Notice of Termination given by the Executive for Good Reason may be given only within one hundred eighty (180) business days after the Executive has actual knowledge of the events constituting Good Reason, and such written Notice of Termination for Good Reason shall specify the particular act or acts, or failure to act, which is or are the basis for the Good Reason. The Corporation shall be given the opportunity within 30 calendar days of the receipt of such Notice of Termination for Good Reason to meet with the Executive to defend such act or acts, or failure to act, and, if such act or failure to act is correctable, the Corporation shall be given 30 business days after such meeting to correct such act or failure to act. If such act or failure to act is not correctable or upon failure of the Corporation, within such latter 30 day period, to correct such act or failure to act, the Executive's employment by the Corporation shall automatically be terminated under this Section 6.3. If the Corporation terminates the Executive's employment hereunder without Cause, other than due to death or Disability, or if the Executive effects a Termination for Good Reason, the Executive shall be entitled to receive, subject to the Executive's continued compliance with all confidentiality, non-competition and other restrictive covenants:

- (a) Base Salary continuation at the rate in effect on the date of Notice of Termination (as provided for by Section 5.1 of this Agreement) through the Date of Termination and for twenty-four (24) months thereafter, payable in accordance with the Corporation's standard payroll practices;

- (b) an amount not to exceed \$2 million in the aggregate, but otherwise equal to the sum of the two largest Annual Incentive Bonuses or other cash bonuses previously earned by the Executive from the Corporation for any fiscal year commencing with the 2002 fiscal year whether employed under this Agreement, employed under any of the Prior Employment Agreements or employed under any other arrangement with the Corporation, to be paid in a lump sum no later than seventy-five (75) days following the Date of Termination;
- (c) any Performance Unit grants that are due to be received by the Executive on or before the Date of Termination shall be granted and all Performance Unit grants outstanding on the Date of Termination shall remain outstanding and be subject to vesting and earning in accordance with this Agreement, the applicable Performance-Based Stock Unit Agreement and the Stock Option Plan, provided, however, that there will be no further annual grants of Performance Units after the Date of Termination and any unvested Performance Units grants (even if they would otherwise be receivable under this Section 6.3(c)) and any unvested Performance Units shall be immediately forfeited;
- (d) any Options that are due to be granted to the Executive on or before the Date of Termination under any agreement executed after the effective date of this Agreement shall be granted and all Options outstanding on the Date of Termination, which would vest within one (1) year of the Date of Termination, shall fully vest as of the Date of Termination, provided, however, that there will be no further annual grants of Options after the Date of Termination and any unvested Options that are not granted nor vested as of the Date of Termination (eve if they would otherwise be receivable under this Section 6.3(d)) shall be forfeited;
- (e) any deferred compensation not previously paid to the Executive (including, without limitation, interest or other credits on such deferred amounts), which shall be paid at the time provided in the applicable deferred compensation plan, and any accrued vacation pay);
- (f) reimbursement for expenses incurred but not paid prior to the Date of Termination;
- (g) aggregate annual premiums for insurance coverage in respect of the life and disability insurance referred to in Section 5.6(a) through the Date of Termination and for twenty-four (24) months thereafter, to be paid in a lump sum no later than seventy-five (75) days following the Date of Termination; and
- (h) health and welfare benefits, as provided to and under the same terms as other executives of the Corporation or the Subsidiary, for twenty-four (24) months after the Date of Termination, and any other compensation or benefits which may be owed or provided to the Executive in accordance with the terms and provisions of any applicable agreements, plans and programs of or made by the Corporation and/or the Subsidiary (in each case, without duplication of deferred compensation, vacation pay and insurance as provided above in this Section).

6.4 Termination Due to Retirement. The Executive may terminate his employment hereunder as a result of Retirement. Notice of Termination by the Executive for Retirement shall be given not less than one hundred fifty (150) business days prior to the Date of Termination if termination is to be effective before July 1, 2020, and not less than ninety (90) business days prior to the Date of Termination if termination is to be effective on or after July 1, 2021. For the avoidance of any doubt, upon Date of Termination due to Retirement, there shall be no accelerated vesting of equity awards. A Retirement shall not be, nor shall it be deemed to be, a breach of this Agreement and, in the event of a Retirement, the Executive shall be entitled to receive, subject to the Executive's continued compliance with all confidentiality, non-competition and other restrictive covenants:

- (a) Base Salary continuation at the rate in effect at the date of Notice of Termination (as provided for by Section 5.1 of this Agreement) through the Date of Termination payable in accordance with the Corporation's standard payroll practices;
- (b) if and to the extent the applicable performance goals are achieved as determined in accordance with Section 5.2 of this Agreement, a prorated Annual Incentive Bonus in respect of the fiscal year in which the Date of Termination occurs, equal to what such Annual Incentive Bonus would have been for the full fiscal year multiplied by a fraction, the numerator of which is the number of days in the current fiscal year through the Date of Termination, and the denominator of which is 365, payable at the same time such Annual Incentive Bonus would have been paid had the Executive's employment not terminated;
- (c) any Options that are due to be granted to the Executive on or before the Date of Termination under any agreement executed after the effective date of this Agreement shall be granted and all Options outstanding on the Date of Termination as of the Date of Termination, which would vest within one year after Date of Termination, shall vest in accordance with their terms, provided, however, that there will be no further annual grants of Options after the Date of Termination;
- (d) any Performance Unit grants that are due to be received by the Executive on or before the Date of Termination shall be granted and all Performance Unit grants outstanding on the Date of Termination shall remain outstanding and be subject to vesting and earning in accordance with this Agreement, the applicable Performance-Based Stock Unit Agreement and the Stock Option Plan, provided, however, that there will be no further annual grants of Performance Units after the Date of Termination;
- (e) any deferred compensation not previously paid to the Executive (including, without limitation, interest or other credits on such deferred amounts), which shall be paid at the time provided in the applicable deferred compensation plan, and any accrued vacation pay;

- (f) reimbursement for expenses incurred but not paid prior to the Date of Termination;
- (g) aggregate annual premiums for insurance coverage through the Date of Termination in respect of the life and Disability insurance referred to in Section 5.6(a), to be paid in a lump sum no later than seventy-five (75) days following the Date of Termination;
- (h) any other compensation or benefits (without duplication of deferred compensation, vacation pay and insurance as provided above in this Section) which may be owed or provided to the Executive in accordance with the terms and provisions of any applicable agreements, plans and programs of or made by the Corporation and/or the Subsidiary; and
- (i) health and welfare benefits, as provided to and under the same terms as other executives of the Corporation or the Subsidiary, for twenty-four (24) months after the Date of Termination.

6.5 Termination by the Corporation on a Change in Control. The Corporation shall be permitted to terminate the Executive's employment hereunder within two (2) years following a Change in Control but only in accordance with the Notice of Termination provisions of this Agreement. If the Corporation terminates the Executive's employment within two (2) years following the date of a Change in Control, other than a Change in Control pursuant to Section 1.21(a) or (c) which was not consummated within twelve (12) months of such Change in Control, the Executive shall be entitled to receive, subject to the Executive's continued compliance with all confidentiality, non-competition and other restrictive covenants:

- (a) Base Salary continuation at the rate in effect on the date of Notice of Termination (as provided for by Section 5.1 of this Agreement) through the Date of Termination and for twenty-four (24) months thereafter, payable in accordance with the Corporation's standard payroll practices;
- (b) an amount not to exceed \$2 million in the aggregate, but otherwise equal to the sum of the two largest Annual Incentive Bonuses or other cash bonuses previously received by Executive from the Corporation for any fiscal year commencing with the 2002 fiscal year whether employed under this Agreement, employed under any of the Prior Employment Agreements or employed under any other arrangement with the Corporation, to be paid in a lump sum no later than seventy-five (75) days following the Date of Termination;
- (c) any Performance Unit grants that are due to be received by the Executive on or before the Date of Termination shall be granted and all Performance Unit grants outstanding on the Date of Termination shall fully vest at the target level as of the Date of Termination, provided however, that there will be no further annual grants Performance Units after the Date of Termination;

- (d) any Options that are due to be granted to the Executive on or before the Date of Termination shall be granted and all Options outstanding on the Date of Termination shall fully vest as of the Date of Termination, provided however, that there will be no further annual grants of Options after the Date of Termination;
- (e) any deferred compensation not previously paid to the Executive (including, without limitation, interest or other credits on such deferred amounts), which shall be paid at the time provided in the applicable deferred compensation plan, and any accrued vacation pay;
- (f) reimbursement for expenses incurred but not paid prior to the Date of Termination;
- (g) aggregate annual premiums for insurance coverage in respect of the life and Disability insurance referred to in Section 5.6(a) through the Date of Termination and for a period of twelve (12) months from and after the Date of Termination, to be paid in a lump sum no later than seventy-five (75) days following the Date of Termination; and
- (h) health and welfare benefits, as provided to and under the same terms as other executives of the Corporation or the Subsidiary, for twenty-four (24) months after the Date of Termination, and any other compensation or benefits which may be owed or provided to the Executive in accordance with the terms and provisions of any applicable agreements, plans and programs of or made by the Corporation and/or the Subsidiary (in each case, without duplication of deferred compensation, vacation pay and insurance as provided above in this Section).

6.6 Termination of Employment By Reason of Expiration or Non-Renewal of the Agreement Anything in this Agreement to the contrary notwithstanding, if the Executive's employment terminates by reason of a failure to extend the Term of Employment (regardless of whether such failure to extend occurs by reason of a notice from either the Executive or the Corporation that the Agreement will not be extended in accordance with Section 3.2 or by reason of a failure of the parties to further extend the Agreement following the end of the initial Term of Employment as set forth in Section 3.1), the Executive shall be treated as having terminated due to Retirement pursuant to Section 6.4 above.

6.7 No Mitigation; No Offset; Vacation Pay. In the event of any termination of employment under this Section 6, the Executive shall be under no obligation to seek other employment and there shall be no offset against any amounts due the Executive under this Agreement on account of any remuneration attributable to any subsequent employment that the Executive may obtain. Any amounts due under this Section 6 are in the nature of severance payments, or liquidated damages, or both, and are not in the nature of a penalty. Any payout to the Executive in respect of accrued vacation pay will be determined in accordance with Corporation policy (and in all events be limited to a maximum of six (6) weeks).

6.8 Payment.

- (a) Except as otherwise provided in this Agreement, and subject to Section 6.8(b) below, any payments to which the Executive shall be entitled under this Section 6 shall be made as follows:
- (i) Except with respect to continued payment of Base Salary in accordance with any provisions of this Agreement, and except with respect to payment of any Annual Incentive Bonus or other compensation for which a payment date is specified herein, payment shall be made as promptly as possible following the Date of Termination. If the amount of any payment due to the Executive cannot be finally determined within seventy-five (75) days after the Date of Termination, such amount shall be estimated on a good faith basis by the Corporation and the estimated amount shall be paid no later than seventy-five (75) days after such Date of Termination. As soon as practicable thereafter, the final determination of the amount due shall be made and any adjustment requiring a payment to or from the Executive shall be made as promptly as practicable.
- (b) This Section 6.8 shall apply to all or any portion of any payment or benefit payable under this Agreement that is considered nonqualified deferred compensation subject to Code Section 409A ("Section 409A Compensation") Notwithstanding anything in the Agreement to the contrary, the following rules shall apply to any Section 409A Compensation in order to prevent any accelerated or additional tax under Code Section 409A:
- (i) If the termination of the Executive's employment does not qualify as a "separation from service" within the meaning of Treas. Reg. Section 1.409A1(h) from the Corporation's Controlled Group (as defined below), then any Section 409A Compensation payable upon termination of employment will not commence until a "separation from service" occurs or, if earlier, the earliest other date as is permitted under Code Section 409A. For this purpose, the "Corporation's Controlled Group" means the Corporation and (A) any corporation which is a member of a controlled group of corporations (as defined in Code Section 414(b)) which includes the Corporation and (B) any trade or business (whether or not incorporated) which is under common control (as defined in Code Section 414(c)) with the Corporation.

- (ii) If at the time of the Executive's separation from service, the Executive is a "specified employee" (as defined in Code Section 409A), then the Corporation will defer the commencement of any Section 409A Compensation payable upon separation from service (without any reduction in such payments or benefits ultimately paid or provided to the Executive) until the date that is six (6) months following separation from service or, if earlier, the earliest other date as is permitted under Code Section 409A.
- (iii) This Agreement is intended to comply with (or be exempt from) Code Section 409A and to the maximum extent permitted this Agreement shall be limited, construed and interpreted in accordance with such intent.
- (iv) To the extent that reimbursements or other in-kind benefits under this Agreement constitute nonqualified deferred compensation for purposes of Code Section 409A, (i) all reimbursement of expenses hereunder shall be made on or prior to the last day of the taxable year following the taxable year in which such expenses were incurred by the Executive, (ii) any right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, and (iii) no such reimbursement, expenses eligible for reimbursement, or in-kind benefits provided in any taxable year shall in any way affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year.

6.9 Golden Parachute Excise Tax.

- (a) Effect on Payment. Anything in this Agreement to the contrary notwithstanding, in the event that any amount or benefit paid, payable, or to be paid, or accelerated, or distributed, distributable, or to be distributed to or with respect to the Executive by the Corporation, the Subsidiary or any other Affiliate, including Base Salary, Annual Incentive Bonuses, Performance Units, Stock Options and any other amounts or awards payable in respect of this Agreement, the Prior Employment Agreements and any other agreement between the Executive and the Corporation, the Subsidiary or any Affiliate (collectively, the "Total Payments") would be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then Executive shall receive the greater of the amount determined under clauses (i) or (ii) below:
 - (i) Except as otherwise provided in clause (ii) below, in the event that the Total Payments would exceed the maximum amount that could be paid to the Executive without becoming subject to the Excise Tax, then notwithstanding anything in this Agreement to the contrary, the amount payable to Employee under this Section 6 above shall be reduced such that the value of the aggregate Total Payments that the Executive is entitled to receive shall be one dollar (\$1) less than such maximum amount (the "Reduced Amount").

- (ii) In the event the Total Payments after payment of the Excise Tax would be greater than the Reduced Amount, the Executive shall be entitled to receive an amount equal to the Total Payments and the provisions of clause (i) above shall not be applied.
- (b) Determination by Accounting Firm. All determinations required to be made under this Section 6.10, shall be made by the Corporation's independent auditors or such other certified public accounting firm reasonably acceptable to the Executive as may be designated by the Corporation, which shall provide detailed supporting calculations both to the Corporation and the Executive.
- (c) For the avoidance of doubt, in no event will the Corporation reimburse the Executive for the Excise Tax, if any.

7. **Non-Exclusivity of Rights** Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any bonus or incentive plan or program provided or maintained by the Corporation, the Subsidiary or any other Affiliate and for which the Executive may qualify or be selected, nor (except as expressly provided herein in relation to the Prior Employment Agreements) shall anything herein limit or otherwise prejudice such rights as the Executive may have under any other existing or future agreements with the Corporation, the Subsidiary or any Affiliate, including, without limitation, any change of control agreements or any stock option, restricted stock, or stock unit agreements including the Restricted Stock and the Option Agreements. Except as otherwise expressly provided for in this Agreement, amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plans or programs of the Corporation, the Subsidiary or any Affiliate at or subsequent to the Date of Termination shall be payable in accordance with such plans or programs.

8. **Full Settlement.** The Corporation's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any circumstances, including, without limitation, any set-off, counterclaim, recoupment, defense or other right which the Corporation may have against the Executive or others.

9. **Costs of Enforcement.** The following provisions of this Section 9 shall apply if it becomes necessary or desirable for the Executive to retain legal counsel or incur other costs and expenses in connection with either enforcing any and all of his rights under this Agreement or defending against any allegations by the Corporation of breach of this Agreement by the Executive:

- 9.1 The Executive shall be entitled to recover from the Corporation reasonable attorneys' fees, costs and expenses incurred by him in connection with such enforcement or defense for as long a period as necessary to enforce this Agreement, not to exceed thirty-six (36) months from the Executive's Date of Termination.
- 9.2 Payments required under this Section 9 shall be made by the Corporation to the Executive (or directly to the Executive's attorney) promptly following submission to the Corporation of appropriate documentation evidencing the incurrence of such attorneys' fees, costs, and expenses, but in no event later than the time required in Section 6.8(b)(iv) of this Agreement.

- 9.3 The Executive shall be entitled to select his legal counsel;provided, however, that such right of selection shall not affect the requirement that any costs and expenses reimbursable under this Section 9 be reasonable.
- 9.4 The Executive's rights to payments under this Section 9 shall not be affected by the final outcome of any dispute with the Corporation;provided, however, that to the extent that the court shall determine that under the circumstances recovery by the Executive of all or a part of any such fees and costs and expenses would be unjust or inappropriate, the Executive shall not be entitled to such recovery; and to the extent that such amounts have been recovered by the Executive previously, the Executive shall repay such amounts to the Corporation within thirty (30) days of such determination.

In addition, the Corporation will reimburse the Executive for the reasonable attorney fees incurred in connection with the preparation and negotiation of this Agreement, no later than the time required in Section 6.9(b)(iv) of this Agreement.

10. **Confidential Information and Noncompetition**

- 10.1 Confidential Information. The Executive shall not, during the Term of Employment and thereafter, without the prior express written consent of the Corporation or the Subsidiary, disclose any confidential information, knowledge or data relating to the Corporation, the Subsidiary or any Affiliate or their respective businesses, which (a) was obtained by the Executive in the course of the Executive's employment with the Corporation or the Subsidiary, and (b) which is not information, knowledge or data otherwise in the public domain (other than by reason of a breach of this provision by the Executive), unless required to do so by a court of law or equity or by any governmental agency or other authority. In no event shall an asserted violation of this Section 10.1 constitute a basis for delaying or withholding the payment of any amounts otherwise payable to the Executive under this Agreement.
- 10.2 Noncompetition. If the Executive's employment is terminated hereunder (i) by the Corporation without Cause (as such term is described in Section 6.2) or by the Executive for Good Reason pursuant to Section 6.3 or (ii) following a Change in Control pursuant to Section 6.5 then this Section 10.2 shall apply in consideration of the termination payments due pursuant to Section 6.3 and 6.5 respectively. If the Executive's employment is terminated due to Retirement pursuant to Section 6.4 of this Agreement, then the Corporation, by written notice given to the Executive within 30 days after the delivery of a Notice of Termination in connection with such Termination may require that this Section 10.2 apply.

If this Section 10.2 applies as set forth above, then the Executive, without the express written consent of the Corporation, shall not, for the twenty-four (24) month period following the Date of Termination, engage in any business, whether as an employee, consultant, partner, principal, agent, representative or stockholder (other than as a stockholder of less than a 5% equity interest) or in any other corporate or representative capacity, if it involves engaging in, or rendering services or advice pertaining to, any lines of business the Corporation or the Subsidiary was actively conducting on the Date of Termination. The obligation of the Executive to abide by the restrictions set forth in the preceding sentence shall be conditioned upon the Corporation providing the entitlements set forth, as applicable, in Section 6.3 and 6.5, and in the event of a termination due to Retirement, continuing payment of the Executive's Base Salary for the 24 month period during which such restriction shall be in effect. Such Base Salary shall be paid at the rate in effect (as provided for in Section 5.1 of this Agreement) on the Date of Termination. If the Corporation shall institute any action or proceeding to enforce the provisions of this Section 10.2, or shall file any claim in any proceeding to enforce such provisions, the Executive hereby waives the claim or defense that the Corporation has an adequate remedy at law and the requirement that the Corporation post a bond in securing equitable relief, and the Executive shall not contend in any such action or proceeding the claim or defense that an adequate remedy at law exists.

11. **Successors.**

11.1 The Executive. This Agreement is personal to the Executive and, without the prior express written consent of the Corporation, shall not be assignable by the Executive, except that the Executive's rights to receive any compensation or benefits under this Agreement may be transferred or disposed of pursuant to testamentary disposition, interstate succession or a domestic relations order of a court of competent jurisdiction. This Agreement shall inure to the benefit of and be enforceable by the Executive's heirs, beneficiaries and/or legal representatives.

11.2 The Corporation. This Agreement shall inure to the benefit of and be binding upon the Corporation and its successors and assigns. The Corporation shall require any successor to all or substantially all of the business and/or assets of the Corporation or the Subsidiary, whether direct or indirect, by purchase, merger, consolidation, acquisition of stock, or otherwise, by an agreement in form and substance reasonably satisfactory to the Executive, expressly to assume and agree to perform this Agreement in the same manner and to the same extent as the Corporation would be required to perform if no such succession had taken place.

12. **Miscellaneous.**

12.1 Applicable Law; Waiver of Jury Trial. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, applied without reference to principles of conflict of laws. The Corporation and the Executive knowingly and voluntarily hereby WAIVES ANY RIGHTS TO A JURY TRIAL.

- 12.2 Amendments. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives. Notwithstanding the foregoing, the Corporation and the Subsidiary may unilaterally amend this Agreement without the consent of the Executive in order for the Corporation-sponsored and Subsidiary-sponsored group health plans to comply with Section 10101(d) of the Patient Protection and Affordable Care Act (relating the discrimination with respect to insured plans).
- 12.3 Notices. All notices and other communications hereunder shall be in writing and shall be given by hand-delivery to the other party or by overnight mail or registered or certified mail, return receipt requested, postage prepaid, addressed as follows:
- If to the Executive:
- M. Farooq Kathwari
Premium Point
New Rochelle, New York 10801
- If to the Corporation:
- Ethan Allen Interiors Inc.
Ethan Allen Drive
Danbury, Connecticut 06813
Attn: Chairman, Compensation Committee
- or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notices and communications shall be effective when actually received by the addressee.
- 12.4 Withholding. The Corporation may withhold from any amounts payable under this Agreement such federal, state or local income taxes as shall be required to be withheld pursuant to any applicable law or regulation. If, at any time on or after the Commencement Date, the Executive will recognize taxable income with respect to the awards from the Corporation of Common Stock (regardless of when such awards are made), the Executive may elect to have the Corporation withhold from the shares to be delivered shares sufficient to satisfy all or a portion of such tax withholding requirements, unless prohibited by the terms of the applicable award agreement or the Stock Option Plan.
- 12.5 Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.
- 12.6 Captions. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect.

12.7 Beneficiaries/References. The Executive shall be entitled to select (and change) a beneficiary or beneficiaries to receive any compensation or benefit payable hereunder following the Executive's death, and may change such election, in either case by giving the Corporation written notice thereof. In the event that the Executive makes no beneficiary designation in accordance with the procedures described above, then the beneficiary shall be deemed to be Executive's then current spouse, if she is alive on the date of the Executive's death, and the Executive's estate, if the Executive is not married on the date of the Executive's death (or if the Executive's spouse is no longer alive on the date of the Executive's death). In the event of the Executive's death or a judicial determination of his incompetence, reference in this Agreement to the Executive shall be deemed, where appropriate, to refer to other beneficiary(ies), his estate or his legal representative(s).

12.8 Entire Agreement.

- (a) Upon the commencement of the Term of Employment, this Agreement (and the Performance-Based Stock Unit Agreements provided for herein) will contain the entire agreement between the parties concerning the subject matter hereof and will supersede the Prior Employment Agreements and all other understandings, discussions, negotiations and undertakings, whether written or oral, between the parties with respect to the subject matter hereof, excluding: (i) the Restated Director Indemnification Agreement by and between the Corporation and the Executive; (ii) the agreements governing the following awards associated with the Executive's employment by the Corporation that were granted to the Executive prior to Commencement Date, being stock options (the "Prior Options"), restricted stock (the "Prior Restricted Stock"), and stock units (the "Prior Stock Units"), and (iii) any compensation and other benefits remaining to be paid pursuant to the Prior Employment Agreements, including the Final Tranche Awards.
- (b) This Agreement shall not affect the Executive's rights to benefits accrued prior to July 1, 2015 and the Executive's rights with respect to Prior Options, Prior Restricted Stock, and Prior Stock Units shall be governed by the respective stock option, restricted stock, and stock unit agreements relating thereto (and insofar as applicable thereto, the Prior Employment Agreements). Notwithstanding the preceding sentence, (i) the Executive's rights with respect to the Prior Options, Prior Restricted Stock, and Prior Stock Units following the Executive's Date of Termination shall be governed by the provisions of Section 6 of this Agreement to the extent such provisions do not adversely affect the Executive's rights under those awards, and (ii) the expiration of the Term of Employment or Agreement Term as defined in the 1997 Employment Agreement, 2002 Employment Agreement, 2007 Employment Agreement and 2011 Employment Agreement shall not result in vesting of any Prior Options, Prior Restricted Stock, or Prior Stock Units pursuant to the last paragraph of Section 6.3 of the 1997 Employment Agreement, the Employment 2002 Agreement, the 2007 Employment Agreement and the Employment 2011 Agreement, such that the Final Tranche Awards will continue to be subject to the vesting and other provisions of the 2011 Option Agreement and 2011 Restricted Stock Agreement.

- 12.9 Representation. The Corporation represents and warrants that it is fully authorized and empowered to enter into this Agreement and that the performance of its obligations under this Agreement will not violate any agreement between the Corporation and any other person or organization or any applicable laws or regulations.
- 12.10 Survivorship. The respective rights and obligations of the parties hereunder shall survive any termination of this Agreement or the Executive's employment hereunder to the extent necessary to the intended preservation of such rights and obligations.
- 12.11 Recoupment. All amounts, payments, benefits, awards and other compensation to which the Executive is entitled under this Agreement and/or the Prior Employment Agreements are subject to recoupment or "clawback" in accordance with the Corporation's recoupment policy as it may be adopted and amended from time to time.
- 12.12 Counterparts; Electronic Signatures. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which, together, shall constitute but one and the same instrument. A facsimile or electronic signature shall be deemed an original signature.

IN WITNESS WHEREOF, the Executive has hereunto set the Executive's hand and the Corporation has caused this Agreement to be executed in its name on its behalf, and its corporate seal to be hereunto affixed and attested by its Secretary, all as of the day and year first above written.

EXECUTIVE

/s/ M. Farooq Kathwari
M. Farooq Kathwari

ETHAN ALLEN INTERIORS INC.

By: /s/ James B. Carlson
Name: James B. Carlson
Title: Director

ETHAN ALLEN GLOBAL, INC.

By: /s/ James B. Carlson
Name: James B. Carlson
Title: Director

**PERFORMANCE BASED
STOCK UNIT AGREEMENT**

AGREEMENT, dated as of _____ (the "Grant Date"), by and between Ethan Allen Interiors, Inc. (the "Company") and M. Farooq Kathwari (the "Executive").

WITNESSETH THAT:

WHEREAS, the Company maintains the Ethan Allen Interiors, Inc. Amended and Restated 1992 Stock Option Plan, as amended from time to time (the "Plan"); and

WHEREAS, the Executive has been selected by the Compensation Committee of the Board of Directors of the Company (the "Committee") to receive a Performance Unit grant under the Plan, pursuant to an employment agreement between the Company and the Executive dated as of July 1, 2015 (the "Employment Agreement");

WHEREAS, to the extent not specified in the Plan, the terms of the award have been determined by the Committee and are set forth in this Agreement and the Employment Agreement;

WHEREAS, if not defined herein, capitalized terms used herein shall have the meanings assigned to them in the Employment Agreement or, if not defined therein, in the Plan;

NOW THEREFORE, IT IS AGREED between the Company and the Executive as follows:

1. Award. Pursuant to Section 5.3 of the Employment Agreement, the Executive is hereby granted as of the Grant Date an award of performance-based restricted Stock Units ("Performance Units") payable in shares of the Company's common stock, par value \$.01 per share (the "Common Stock"), with a target of 65,000 Performance Units, and a minimum and maximum ranging from 0 to 81,150 Performance Units, subject to and contingent upon the performance of the Company as determined pursuant to Section 5.3 of the Employment Agreement. Each Performance Unit represents the number of shares of Common Stock set forth in the Employment Agreement, subject to adjustment as provided therein and in the Plan. Once number of the Performance Units earned has been determined in accordance with the Employment Agreement, the shares of Common Stock underlying such Performance Units will be issued and paid in accordance with the Plan, this Agreement and the Employment Agreement.
 2. Forfeiture. If, upon the certification by the Committee of whether (and the extent to which) the performance goals applicable to this grant of Performance Units has been attained at the end of the three fiscal year period applicable to this grant of Performance Units, any such Performance Units have not been earned by the Executive, such Performance Units and the underlying shares of Common Stock will be forfeited and returned to the Company.
 3. Change in Control. Notwithstanding the provisions of paragraph 2, and pursuant to the provisions of the Employment Agreement which shall be controlling and are fully incorporated herein by reference, the Performance Units will vest and become fully earned upon the occurrence of a Change in Control, if the Executive is then employed by the Company and such Performance Units have not previously been forfeited
-

4. Company Policies. Notwithstanding any provisions in this Agreement to the contrary, the Executive's right to receive (or retain) any Performance Units and underlying shares of Common Stock pursuant to this Agreement and the Employment Agreement will be subject to "clawback" or similar obligations set forth in Company policies duly approved by the Company's Board of Directors and required by applicable laws and regulations (including by any securities exchange) applicable to the Company and the Executive, and, furthermore, will be subject to the retention and restriction on sale, hedging, transfer or similar obligations in relation to Company executives set forth in Company policies duly approved by the Company's Board of Directors.
5. Adjustments to Number of Shares. Without limiting adjustments provided for in the Plan, in the event of any change in the outstanding shares of Common Stock by reason of any stock dividend, stock split, spinoff, recapitalization or other similar change, the terms and the number of any outstanding Performance Units and underlying shares of Common Stock shall be equitably adjusted by the Committee to the extent that such adjustment is necessary to preserve the benefit of this Agreement for the Executive and the Company.
6. Not a Contract of Employment. This Agreement does not constitute a contract of employment and does not give the Executive the right to be retained in the employ of the Company.
7. Withholding of Taxes. Prior to the delivery to the Executive (or the Executive's estate, if applicable) of a stock certificate or evidence of book entry ownership of shares of Common Stock issuable and payable hereunder, the Executive (or the Executive's estate) shall pay to the Company the federal, state and local income taxes and other amounts as may be required by law to be withheld by the Company (the "Withholding Taxes") with respect to such shares of Common Stock. By executing and returning this Agreement, the Executive (or the Executive's estate) shall be deemed to have elected to have the Company withhold a portion of such shares of Common Stock having an aggregate fair market value (as determined pursuant to the Plan) equal to the Withholding Taxes in satisfaction of the Withholding Taxes, such election to continue in effect until the Executive (or the Executive's estate) notifies the Company before such delivery that the Executive (or the Executive's estate) shall satisfy such obligation in cash, in which event the Company shall not withhold a portion of such Common Stock as otherwise provided in this paragraph 7.
8. Terms of Plan. Notwithstanding any other provision of this Agreement, the terms of the Plan shall govern this Agreement and, to the extent not governed by the Plan, the terms of the Employment Agreement shall govern this Agreement, and this Agreement shall be subject, in all respects, to the terms and conditions of the Plan and the Employment Agreement.

9. Successors and Assigns. This Agreement shall be binding upon, and inure to the benefit of, the Company and its successors and assigns, and upon any person acquiring, whether by merger, consolidation, purchase of assets or otherwise, all or substantially all of the Company's assets and business.
10. Applicable Law. The provisions of this Agreement shall be construed in accordance with the laws of the State of New York, without giving effect to choice of law principles. Notwithstanding any other provision of this Agreement to the contrary, the Company may subject shares or other securities transferred pursuant to this Agreement to such conditions, limitations or restrictions as the Company determines to be necessary or desirable to comply with any applicable law or regulation.
11. Amendment. This Agreement may be amended by written agreement of the Executive and the Company, without the consent of any other person.
12. Counterparts. This Agreement may be executed in counterparts.

IN WITNESS WHEREOF, the Executive has hereunto set his hand and the Company has caused this Agreement to be executed in its name and on its behalf, all as of the Grant Date.

EXECUTIVE

M. Farooq Kathwari

ETHAN ALLEN INTERIORS INC.

By: _____
Name: _____
Title: _____

ETHAN ALLEN INTERIORS INC.
CHANGE IN CONTROL SEVERANCE PLAN

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ETHAN ALLEN INTERIORS INC.

CHANGE IN CONTROL SEVERANCE PLAN

1. Purpose of the Plan. This document establishes the Ethan Allen Interiors Inc. Change in Control Severance Plan (the "Plan") to assure the Company that it will have the continued dedication of, and the availability of objective advice and counsel from, key executives of the Company and its affiliates (as defined below) notwithstanding the possibility, threat or occurrence of a Change in Control.

2. Effective Date. The Change in Control Severance Plan (the "Plan") shall become effective on September 29, 2015.

3. Administration of the Plan.

(a) The Committee. The Plan shall be administered (i) by the Compensation Committee members of the Board (the "Committee"), or (ii) in the absence of such Committee or if the Committee is unable to act, by the Board. The members of the Committee shall be entitled to all of the rights to indemnification and payment of expenses and costs set forth in the Bylaws of the Company. In no event may the protection afforded the Committee members in this Section 3(a) be reduced in anticipation of or following a Change in Control.

(b) Determinations by the Committee. Subject to the express provisions of the Plan and to the rights of the Participants (as defined below) pursuant to such provisions, the Committee shall have the authority to adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan as it shall, from time to time, deem advisable; to designate persons to be covered by the Plan; to revoke such designations; to interpret the terms and provisions of the Plan (and any notices or agreements relating thereto); and otherwise to supervise the administration of the Plan in accordance with the terms hereof. Prior to a Change in Control, all decisions made by the Committee pursuant to the Plan shall be made in its sole discretion and shall be final and binding on all persons, including the Company and Participants. The Committee's determinations need not be uniform, and may be made selectively among eligible employees and among Participants, whether or not they are similarly situated. Notwithstanding any provision in the Plan to the contrary, however, following a Change in Control, any act, determination or decision of the Company or the Committee, as applicable, with regard to the administration, interpretation and application of the Plan must be reasonable, as viewed from the perspective of an unrelated party and with no deference paid to the actual act, determination or decision of the Company or the Committee, as applicable. Furthermore, following a Change in Control, any decision by the Company or the Committee, as applicable, shall not be final and binding on a Participant. Instead, following a Change in Control, if a Participant disputes a decision of the Company or the Committee relating to the Plan and pursues legal action, the court shall review the decision under a "de novo" standard of review. In addition, following a Change in Control, in the event that (i) the Company's common stock is no longer publicly traded and (ii) any securities of the Company's Ultimate Parent (as defined below) are publicly traded, then any decisions by the Board with respect to whether a Participant was terminated for "Cause" shall be made by the board of directors of the Ultimate Parent. For purposes of the Plan, "Ultimate Parent" means a publicly traded corporation or entity which, directly or indirectly through one or more affiliates, beneficially owns at least a plurality of the then-outstanding voting securities of the Company (including any successor to the Company by reason of merger, consolidation, the purchase of all or substantially all of the Company's assets or otherwise).

(c) Delegation of Authority. The Committee may delegate to one or more officers or employees of the Company such duties in connection with the administration of the Plan as it deems necessary, advisable or appropriate.

4. Participation in the Plan.

(a) Designation of Participants. The Board or the Committee shall from time to time select the employees who are to participate in the Plan (the "Participants", and each individual, a "Participant") from among those management or highly compensated employees of the Company and its affiliates it determines to be appropriate to include as Participants, excepting the CEO who shall be excluded as a Participant under this plan and whose employment agreement shall take precedence over any benefits provided under this Plan, given the purposes of the Plan and the potential effects on the employee of a Change in Control. The Company shall notify each Participant in writing of his or her participation in the Plan. For purposes of the Plan, the term "affiliate" has the meaning set forth in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and includes any partnership or joint venture of which the Company or any of its affiliates are general partners or co-venturers.

(b) Terminating Status as a Participant. A person shall cease to be a Participant upon (i) the termination of his or her employment by the Company or any affiliate for any reason prior to a Change in Control, or (ii) the date that the Company notifies the Participant in writing that such individual's status as a Participant has been revoked; provided that such revocation shall not become effective until 12 months from the date that the revocation notice is provided. Except as specifically provided herein, the Committee shall have absolute discretion in the selection of Participants and in revoking their status as Participants. Notwithstanding the foregoing, no revocation by the Committee of any person's designation as a Participant shall be effective if made (i) on the day of, or within 24 months after, a Change in Control, (ii) prior to a Change in Control, but at the request of any third party participating in or causing the Change in Control or (iii) otherwise in connection with, in relation to, or in anticipation of a Change in Control.

5. Change in Control. For purposes of the Plan, "Change in Control" means the first to occur any of the following:

(a) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") of beneficial ownership (within the meaning of Rule 13(d)(3) promulgated under the Exchange Act) of 50% or more of either (i) the then-outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (ii) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that, for purposes of this Section, the following acquisitions shall not constitute a Change in Control: (A) any acquisition directly from the Company, (B) any acquisition by the Company, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or one of its affiliates, or (D) any acquisition pursuant to a transaction that complies with Sections 5(c)(i), 5(c)(ii) and 5(c)(iii);

(b) individuals who, as of the Effective Date hereof, constitute the Board (the "Incumbent Board") ceases for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election or nomination for election by the Company's stockholders was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

(c) consummation of a reorganization, merger, statutory share exchange or consolidation or similar corporate transaction involving the Company or any of its subsidiaries, a sale or other disposition of all or substantially all of the assets of the Company, or the acquisition of assets or stock of another entity by the Company or any of its subsidiaries (each, a "Business Combination"), in each case, unless, following such Business Combination, (i) all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding Company Common Stock and the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the then-outstanding shares of common stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation or entity resulting from such Business Combination (including, without limitation, a corporation or entity that, as a result of such transaction, owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and the Outstanding Company Voting Securities, as the case may be, (ii) no Person (excluding any employee benefit plan (or related trust) of the Company or any corporation or entity resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then-outstanding shares of common stock of the corporation or entity resulting from such Business Combination or the combined voting power of the then-outstanding voting securities of such corporation or entity, except to the extent that such ownership existed prior to the Business Combination, and (iii) at least a majority of the members of the board of directors of the corporation or entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination; or

(d) approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

No Participant in this Plan who participates in any group conducting a management buyout of the Company under the terms of which the Company ceases to be a public company may claim that such buyout is a Change in Control under this Plan and no such Participant shall be entitled to any payments or other benefits under this Plan as a result of such buyout. For purposes of the Plan, no Participant in this Plan shall be deemed to have participated in a group conducting a management buyout of the Company unless, following the consummation of the transaction, such Participant was the beneficial owner of more than 10% of the then-outstanding voting securities of the Company or any successor corporation or entity resulting from such transaction.

6. Eligibility for Benefits under the Plan.

(a) General. If a Change in Control shall have occurred, each person who is a Participant on the date the Change in Control is consummated shall be entitled to the compensation and benefits provided in Section 7(b) upon the subsequent termination of the Participant's employment, provided that such termination occurs prior to the second anniversary of the Change in Control, unless such termination is (i) because of the Participant's death or disability (as determined under the Company's Long Term Disability Plan in effect immediately prior to the Change in Control), (ii) by the Company or its affiliate for Cause, or (iii) by the Participant other than for Good Reason.

(b) Cause. For purposes of the Plan, "Cause" means:

- (i) any material misappropriation of funds or property of the Company or its affiliate by the Participant;
- (ii) unreasonable and persistent neglect or refusal by the Participant to perform his or her duties which is demonstrably willful and deliberate on the Participant's part, which is committed in bad faith or without reasonable belief that such breach is in the best interests of the Company and which is not remedied in a reasonable period of time after receipt of written notice from the Company specifying such breach;
- (iii) conviction of the Participant of a securities law violation; or
- (iv) found by a court of competent jurisdiction in a civil action or by the Securities and Exchange Commission to have violated any Federal or State securities law or pleading of *nolo contendere*, or conviction of a felony or pleading of *nolo contendere* to a felony.

Notwithstanding the foregoing provisions of this Section 6(b), the Participant shall not be deemed to have been terminated for Cause after a Change in Control unless and until there shall have been delivered to the Participant a copy of a resolution duly adopted by the affirmative vote of not less than three quarters of the entire membership of the Board at a meeting of the Board (after reasonable notice to the Participant and an opportunity for Participant, together with his or her counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the Participant was guilty of conduct set forth above in this Section 6(b) and specifying the particulars thereof in detail.

(c) Good Reason. For purposes of the Plan, "Good Reason" means the occurrence after a Change in Control of any of the following circumstances without the Participant's express written consent, unless such circumstances are fully corrected prior to the Date of Termination (as defined below) specified in the Notice of Termination (as defined below) given in respect thereof:

- (i) the material diminution of the Participant's duties, authorities or responsibilities from those in effect immediately prior to the consummation of Change in Control;
- (ii) a material reduction in the Participant's base salary or target bonus opportunity as in effect on the date immediately prior to the consummation of Change in Control;
- (iii) the relocation of the Participant's office from the location at which the Participant is principally employed immediately prior to the date of the consummation of Change in Control to a location 35 or more miles farther from the Participant's residence immediately prior to the Change in Control, and recognizing that the Participant shall be expected to travel on the Company's business to an extent substantially consistent with the Participant's business travel obligations prior to the Change in Control;
- (iv) the failure by the Company or its affiliate to pay any material compensation or benefits due to the Participant;
- (v) (A) the failure of the Company to obtain a satisfactory agreement from any successor to assume and agree to perform the Plan, as contemplated in Section 14; or
- (vi) any purported termination of the Participant's employment that is not effected pursuant to a Notice of Termination satisfying the requirements of the Plan.

(d) Certain Terminations Prior to a Change in Control. Anything in the Plan to the contrary notwithstanding, if a Change in Control occurs and if the Participant's employment with the Company is terminated prior to the date on which the Change in Control occurs, and if it is reasonably demonstrated by the Participant that such termination of employment (i) was at the request of any third party participating in or causing the Change in Control or (ii) otherwise arose in connection with, in relation to, or in anticipation of the Change in Control, then the Participant shall be entitled to all payments and benefits under the Plan as though the Participant had terminated his or her employment for Good Reason on the day after the Change in Control. For purposes of this Section 6(d), a Change in Control means a Change in Control that is also a change in ownership or effective control of the Company or a change in the ownership of a substantial portion of the assets of the Company within the meaning of Section 409A(a)(2)(A) (v) of the Internal Revenue Code of 1986, as amended, (the "Code") and the Treasury regulations and guidance issued thereunder ("Section 409A").

(e) No Waiver. The Participant's continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason hereunder.

(f) Notice of Termination After a Change in Control. Any termination by the Company, or by the Participant for Good Reason, shall be communicated by Notice of Termination given in accordance with the Plan. For purposes of the Plan, a "Notice of Termination" means a written notice that (i) indicates the specific termination provision in the Plan relied upon, and (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Participant's employment under the provision so indicated. With respect to a Notice of Termination given by a Participant in connection with a termination for "Good Reason" such notice must be provided within ninety (90) days after the event that created the "Good Reason".

(g) Date of Termination. For purposes of the Plan, "Date of Termination" means (i) if the Participant's employment is terminated by the Company for Cause, the date on which the Notice of Termination is given or any later date specified therein (which, however, shall not be more than 15 days later), (ii) if the Participant's employment is terminated by the Participant for Good Reason, the date specified in the Notice of Termination (which, however, shall not be less than 30 days or more than 45 days later than the date on which the Notice of Termination is given), or (iii) if the Participant's employment is terminated by the Company other than for Cause, the date on which the Company notifies the Participant of such termination. In all instances, the Date of Termination shall mean the date of the Participant's separation from service within the meaning of Section 409A.

7. Obligations of the Company upon Termination.

(a) Cause; Other than for Good Reason. If the Participant's employment shall be terminated for Cause, or if the Participant terminates his or her employment other than for Good Reason, the Company shall pay the Participant his or her annual salary through the Date of Termination, to the extent not already paid, at the rate in effect at the time Notice of Termination is given, plus all other amounts to which the Participant is entitled under any law, or compensation, benefit or other plan or policy of the Company at the time such amounts are due, and the Company shall have no further obligations to the Participant under the Plan.

(b) Termination Without Cause; Good Reason Terminations. Any Participant who becomes eligible for compensation and benefits pursuant to Section 6(a) shall be paid or provided the following:

(i) his or her annual base salary through the Date of Termination, to the extent not already paid, at the rate in effect at the time Notice of Termination is given and annual incentive bonus (to the extent the Participant was eligible prior to the Date of Termination) for the fiscal year prior to the Date of Termination, to the extent not already paid;

(ii) as severance pay and in lieu of any further salary or bonus for the period following the Date of Termination, the Participant shall receive a lump sum payment equal to his or her "Annual Compensation".

For purposes of the Plan, "Annual Compensation" means the sum of (A) the Participant's annual base salary at the highest rate of salary during the 12-month period immediately prior to the Date of Termination or, if higher, during the 12 month period immediately prior to the Change in Control (in each case, as determined without regard for any reduction for deferred compensation, 401(k) Plan contributions and similar items), and (B) the higher of (1) the average annual bonus the Participant earned with respect to the three fiscal years immediately prior to the fiscal year in which the Change in Control occurs; and (2) the average annual bonus the Participant earned with respect to three fiscal years immediately prior to the fiscal year in which the Date of Termination occurs;

(iii) a prorated annual bonus for the portion of the fiscal year elapsed prior to the Date of Termination in an amount equal to the average annual bonus the Participant earned with respect to three fiscal years immediately prior to the fiscal year in which the Date of Termination occurs prorated for the portion of the fiscal year elapsed prior to the Date of Termination;

(iv) It is the object of this subsection to provide for the maximum after-tax income to each Participant with respect to any payment or distribution to or for the benefit of the Participant, whether paid or payable or distributed or distributable pursuant to the Plan or any other plan, arrangement or agreement, that would be subject to the excise tax imposed by Section 4999 of the Code or any similar federal, state or local tax that may hereafter be imposed (a "Payment") (Section 4999 of the Code or any similar federal, state or local tax are collectively referred to as the "Excise Tax"). Accordingly, before any Payments are made under this Plan, a determination will be made as to which of two alternatives will maximize such Participant's after-tax proceeds, and the Company must notify the Participant in writing of such determination. The first alternative is the payment in full of all Payments potentially subject to the Excise Tax. The second alternative is the payment of only a part of the Participant's Payments so that the Participant receives the largest payment and benefits possible without causing the Excise Tax to be payable by the Participant. This second alternative is referred to in this subsection as "Limited Payment". The Participant's Payments shall be paid only to the extent permitted under the alternative determined to maximize the Participant's after-tax proceeds, and the Participant shall have no rights to any greater payments on his or her Payments. If Limited Payment applies, Payments shall be reduced in a manner that would not result in the Participant incurring an additional tax under Section 409A of the Code. Accordingly, Payments not constituting nonqualified deferred compensation under Section 409A shall be reduced first, in this order but only to the extent that doing so avoids the Excise Tax (e.g., accelerated vesting or payment provisions in an award will be ignored to the extent that such provisions would trigger the Excise Tax):

- Payment of the severance amounts under Section 7(b)(ii)-(v) hereof to the extent such payments do not constitute deferred compensation under Section 409A.
- Performance-based awards in accordance with the 1992 Stock Option Plan as amended or restated or succeeded (the "Stock Option Plan").
- Non-performance, service-based awards in accordance with the Stock Option Plan.
- Awards of Options and SARs under the Stock Option Plan.

In the event of conflict between the order of reduction under this Plan and the order provided by any other Company document governing a Payment, then the order under this Plan shall control.

All determinations required to be made under this Section 7(b)(vi) shall be made by KPMG LLP, or, if KPMG LLP is not the Company's nationally recognized independent accounting firm immediately prior to the Change in Control, such other nationally recognized accounting firm serving as the Company's independent accounting firm (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Participant within ten (10) business days of the termination of employment giving rise to benefits under the Plan, or such earlier time as is requested by the Company. All fees, costs and expenses (including, but not limited to, the costs of retaining experts) of the Accounting Firm shall be borne by the Company. In the event the Accounting Firm determines that the Payments shall be reduced, it shall furnish the Participant with a written opinion to such effect. The determination by the Accounting Firm shall be binding upon the Company and the Participant.

(c) Timing of Payments and Release Condition. All payments under Sections 7(b)(ii), 7(b)(iii), 7(b)(iv) and 7(b)(v) shall be due and payable in a lump sum on the 60th day after the Date of Termination; provided that the Participant executes the attached agreement set forth at Exhibit A (or a substantially similar agreement) on or before the 60th day after the Date of Termination. The Participant shall forfeit all rights under this Plan if such agreement is not executed by that date. The timing of all payments and benefits under this Plan shall be made consistent with the requirements of Section 409A, and notwithstanding any provision of the Plan to the contrary, any amount or benefit that is payable to a Participant who is a "specified employee" (as defined in Section 409A) shall be delayed until the date which is first day of the seventh month after the date of such Participant's termination of employment (or, if earlier, the date of such Participant's death), if paying such amount or benefit prior to that date would violate Section 409A.

8. Mitigation. Except as provided in Section 13(b), the Participant shall not be required to mitigate the amount of any payment provided for in the Plan by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in the Plan be reduced by any compensation earned by the Participant as a result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by the Participant to the Company, or otherwise.

9. Resolution of Disputes. If there shall be any dispute between the Company and the Participant (a) in the event of any termination of the Participant's employment by the Company, as to whether such termination was for Cause, or (b) in the event of any termination of employment by the Participant, as to whether Good Reason existed, then, unless and until there is a final, nonappealable judgment by a court of competent jurisdiction declaring that such termination by the Company was for Cause or that the determination by the Participant of the existence of Good Reason was not made in good faith, the Company shall pay all amounts, and provide all benefits, to the Participant and/or the Participant's family or other beneficiaries, as the case may be, that the Company would be required to pay or provide pursuant to the Plan as though such termination were by the Company without Cause or by the Participant with Good Reason; provided, however, that the Company shall not be required to pay any disputed amount pursuant to this Section except upon receipt of a written undertaking by or on behalf of the Participant to repay all such amounts to which the Participant is ultimately adjudged by such court not to be entitled. Notwithstanding the foregoing, the payment of any amount in settlement of a dispute described in this Section shall be made in accordance with the requirements of Section 409A.

10. Legal Expenses and Interest.

(a) If, with respect to any alleged failure by the Company to comply with any of the terms of the Plan or any dispute between the Company and the Participant with respect to the Participant's rights under the Plan, a Participant in good faith hires legal counsel with respect thereto or institutes any negotiations or institutes or responds to legal action to assert or defend the validity of, to interpret, enforce his or her rights under, or recover damages for violation of the terms of the Plan, then (regardless of the outcome) the Company shall pay, as they are incurred, the Participant's actual reasonable expenses for attorneys' fees and disbursements. The Company agrees to pay such amounts within 10 days following the Company's receipt of an invoice from the Executive, provided that the Executive shall have submitted an invoice for such amounts at least 30 days before the end of the calendar year next following the calendar year in which such fees and disbursements were incurred.

(b) To the extent permitted by law, the Company shall pay to the Participant on demand a late charge on any amount not paid in full when due after a Change in Control under the terms of the Plan. Except as otherwise specifically provided in the Plan, the late charge shall be computed by applying to the sum of all delinquent amounts a late charge rate. The late charge rate shall be a fixed rate per year that shall equal the sum of 3% plus the "prime rate" of JPMorgan Chase Bank, NA or successor institution ("JPMorgan") publicly announced by JPMorgan to be in effect on the Date of Termination, or if JPMorgan no longer publicly announces a prime rate on such date, any substantially equivalent rate announced by JPMorgan to be in effect on such date (or, if JPMorgan does not exist on such date, the prime rate published by the Wall Street Journal on such date) (provided, however, that such rate shall not exceed any applicable legally permissible rate).

11. Funding. The Company may, in its discretion, establish a trust to fund any of the payments which are or may become payable to Participant under the Plan, but nothing included in the Plan shall require that the Company establish such a trust or other funding arrangement. Whether or not the Company sets any assets aside for the purposes of the Plan, such assets shall at all times prior to payment to Participants remain the assets of the Company subject at all times to the claims of its creditors. Neither the Company nor the Board nor the Committee shall be deemed to be a trustee or fiduciary with respect to any amount to be paid under the Plan.

12. No Contract of Employment. The Participant and the Company acknowledge that, except as may otherwise be provided under any written agreement between the Participant and the Company, the employment of the Participant by the Company is "at will" and, subject to such payments as may become due under the Plan, such employment may be terminated by either the Participant or the Company at any time and for any reason.

13. Non-exclusivity of Rights.

(a) Future Benefits under Company Plans. Nothing in the Plan shall prevent or limit the Participant's continuing or future participation in any plan, program, policy or practice of the Company or any of its affiliates, nor shall anything herein limit any rights or reduce any benefits the Participant may have under any agreement or arrangement with the Company or any of its affiliates. Amounts that are vested benefits or that the Participant is otherwise entitled to receive under any plan, policy, practice or program of or any agreement or arrangement with the Company or any of its affiliates at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or agreement or arrangement except as explicitly modified by the Plan.

(b) Benefits of Other Plans and Agreements. If the Participant becomes entitled to receive compensation or benefits under the terms of the Plan, such compensation or benefits will be reduced by other severance benefits payable under any plan, program, policy or practice of or agreement or other arrangement between the Participant and the Company (not including payments or distributions under the Company's Stock Option Plan). It is intended that the Plan provide compensation or benefits that are supplemental to severance benefits and that are actually received by the Participant pursuant to any plan, program, policy or practice of or agreement or arrangement between the Participant and the Company, such that the net effect to the Participant of entitlement to any similar benefits that are contained both in the Plan and in any other existing plan, program, policy or practice of or agreement or arrangement between the Participant and the Company will be to provide the Participant with the greater of the benefits under the Plan or under such other plan, program, policy, practice, or agreement or arrangement. This Plan is not intended to modify, amend, terminate or otherwise affect the Company's Stock Option Plan (or a successor plan), which shall remain a fully independent and separate plan.

14. Successors; Binding Agreement. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform the Plan in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in the Plan, "Company" means the Company as herein defined and any successor to its business and/or assets which assumes and agrees to perform the Plan, by operation of law or otherwise.

15. Transferability and Enforcement.

(a) The rights and benefits of the Company under the Plan shall be transferable, but only to a successor of the Company, and all covenants and agreements hereunder shall inure to the benefit of and be enforceable by or against its successors and assigns. The rights and benefits of Participant under the Plan shall not be transferable other than by the laws of descent and distribution.

(b) The Company intends the Plan to be enforceable by Participants. The rights and benefits under the Plan shall inure to the benefit of and be enforceable by any Participant and the Participant's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Participant should die while any amount would still be payable to the Participant hereunder had the Participant continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of the Plan to the Participant's devisee, legatee or other designee or, if there is no such designee, to the Participant's estate.

16. Notices. Any notices referred to herein shall be in writing and shall be deemed given if delivered in person or by facsimile transmission, telexed or sent by U.S. registered or certified mail to the Participant at his or her address on file with the Company (or to such other address as the Participant shall specify by notice), or to the Company at its principal executive office, Attn: Secretary.

17. Amendment or Termination of the Plan. The Board reserves the right to amend, modify, suspend or terminate the Plan at any time, provided that:

(a) without the written consent of the Participant, no such amendment, modification, suspension or termination shall adversely affect the benefits or compensation due under the Plan to any Participant whose employment has terminated prior to such amendment, modification, suspension or termination and is entitled to benefits and compensation under Section 7(b);

(b) no such amendment, modification, suspension or termination that has the effect of reducing or diminishing the right of any Participant to receive any payment or benefit under the Plan will become effective prior to the first anniversary of the date on which written notice of such amendment, modification, suspension or termination was provided to the Participant, and if such amendment, modification, suspension or termination was effected (i) on the day of or subsequent to the Change in Control, (ii) prior to the Change in Control, but at the request of any third party participating in or causing a Change in Control or (iii) otherwise in connection with, in relation to, or in anticipation of a Change in Control, such amendment, modification, suspension or termination will not become effective until the second anniversary of the Change in Control; and

(c) the Board's right to amend, modify, suspend or terminate the Plan is subject to the requirements of Section 409A to the extent such requirements apply to the Plan.

18. Waivers. The Participant's or the Company's failure to insist upon strict compliance with any provision of the Plan or the failure to assert any right the Participant or the Company may have hereunder, including, without limitation, the right of the Participant to terminate employment for Good Reason, shall not be deemed to be a waiver of such provision or right or any other provision or right under the Plan.

19. Validity. The invalidity or unenforceability of any provision of the Plan shall not affect the validity or enforceability of any other provision of the Plan, and such other provisions shall remain in full force and effect to the extent permitted by law.

20. Governing Law. To the extent not preempted by federal law, all questions pertaining to the construction, regulation, validity and effect of the provisions of the Plan shall be determined in accordance with the laws of the State of New York without regard to the conflict of laws principles thereof.

21. Section 409A. (a) General. It is intended that payments and benefits made or provided under this Plan shall not result in penalty taxes or accelerated taxation pursuant to Section 409A of the Internal Revenue Code of 1986, as amended (the "**Code**"), and the Plan shall be interpreted and administered in accordance with that intent. If any provision of the Plan would otherwise conflict with or frustrate this intent, that provision will be interpreted and deemed amended so as to avoid the conflict. Any payments that qualify for the "short-term deferral" exception, the separation pay exception or another exception under Section 409A of the Code shall be paid under the applicable exception. For purposes of the limitations on nonqualified deferred compensation under Section 409A of the Code, each payment of compensation under this Plan shall be treated as a separate payment of compensation for purposes of applying the exclusion under Section 409A of the Code for short-term deferral amounts, the separation pay exception or any other exception or exclusion under Section 409A of the Code. In no event may a Participant, directly or indirectly, designate the calendar year of any payment under this Plan. Despite any contrary provision of this Plan, any references to "termination of employment" or "Date of Termination" or similar term shall mean and refer to the date of a Participant's "separation from service," as that term is defined in Section 409A of the Code and Treasury regulation Section 1.409A-1(h).

(b) Delay of Payment. Notwithstanding any other provision of this Plan to the contrary, if a Participant is considered a "specified employee" for purposes of Section 409A of the Code (as determined in accordance with the methodology established by the Company as in effect on the termination date), any payment that constitutes nonqualified deferred compensation within the meaning of Section 409A of the Code that is otherwise due to a Participant under this Plan during the six (6)-month period immediately following a Participant's separation from service (as determined in accordance with Section 409A of the Code) on account of a Participant's separation from service shall be accumulated and paid to such Participant on the first (1st) business day of the seventh (7th) month following such Participant's separation from service (the "**Delayed Payment Date**"). If such Participant dies during the postponement period, the amounts and entitlements delayed on account of Section 409A of the Code shall be paid to the personal representative of such Participant's estate on the first to occur of the Delayed Payment Date or thirty (30) calendar days after the date of his or her death.

(c) Reimbursement and In-Kind Benefits. Notwithstanding anything to the contrary in this Plan, all reimbursements and in-kind benefits provided under this Plan that are subject to Section 409A of the Code shall be made in accordance with the requirements of Section 409A of the Code, including, where applicable, the requirement that (i) any reimbursement is for expenses incurred during the Participant's lifetime (or, if longer, through the twentieth (20th) anniversary of the Effective Date) or during a shorter period of time specified in this Plan; (ii) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year; (iii) the reimbursement of an eligible expense will be made no later than the last day of the calendar year following the year in which the expense is incurred; and (iv) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

22. Headings. The headings and paragraph designations of the Plan are included solely for convenience of reference and shall in no event be construed to affect or modify any provisions of the Plan.

Dated: September 29, 2015

THE BOARD OF DIRECTORS OF
ETHAN ALLEN INTERIORS INC.

Exhibit A
Form of Release

[Company's standard form of release to be inserted]

Ethan Allen Elects Tara Stacom to Board of Directors

DANBURY, CT (October 1, 2015) -- Ethan Allen Interiors Inc. ("Ethan Allen" or the "Company") (NYSE:ETH) today announced that Tara I. Stacom has been elected to the Company's Board of Directors, effective immediately. The Company also announced that two of its long-standing directors, Frank Wisner and Kristin Gamble, are retiring from the Company's Board of Directors immediately prior to its 2015 Annual Meeting of Stockholders.

Ms. Stacom has more than three decades of commercial real estate, finance and leasing experience. She currently serves as an Executive Vice Chairman of Cushman & Wakefield, a leading worldwide commercial real estate firm. During her career, Ms. Stacom has been responsible for executing some of the largest and most complex leasing, sales and corporate finance transactions, including most recently serving as exclusive leasing agent for One World Trade Center. Ms. Stacom serves as a director of the Realty Foundation of New York, and is a Member of the Real Estate Board of New York serving on its Ethics Committee.

Farooq Kathwari, the Company's Chairman and Chief Executive Officer, commented, "We are very pleased to have Tara Stacom, a leading executive in the real estate industry, join our Board of Directors. Tara joins a highly qualified group of independent directors who bring deep industry, marketing, management, finance and accounting experience to Ethan Allen and who contribute on both a strategic and operational level. Her significant real estate industry experience will be a valuable addition to our Board."

Mr. Kathwari continued, "Frank Wisner and Kristin Gamble have been valued members of the Company's Board who have each made substantial contributions to the success of the Company. On behalf of the Board, we want to thank them for their time and their commitment to Ethan Allen."

About Ethan Allen

Ethan Allen Interiors Inc. (NYSE: ETH) is a leading interior design Company and manufacturer and retailer of quality home furnishings. The Company offers complimentary interior design service to its clients and sells a full range of furniture products and decorative accessories through ethanallen.com and a network of approximately 300 Design Centers in the United States and abroad. Ethan Allen owns and operates eight manufacturing facilities including five manufacturing plants and one sawmill in the United States plus one plant each in Mexico and Honduras. Approximately seventy percent of its products are made in its North American plants. For more information on Ethan Allen's products and services, visit ethanallen.com.

Ethan Allen Interiors Inc.
Investor / Media Contact:
Corey Whitely
Executive Vice President, Administration
Chief Financial Officer and Treasurer
cwhitely@ethanalleninc.com

Cautionary Notes

This press release should also be read in conjunction with the Company's Annual Report on Form 10-K for the year ended June 30, 2015 (the "2015 Form 10-K") and other reports filed with the Securities and Exchange Commission. This press release and related discussions contain forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements include statements about such matters as: our capital structure; future or targeted operational and financial performance; liquidity, capital and debt levels; strategic plans; stock repurchase and dividend plans; possible financing activities; demand for their products; our position in markets we serve; regional and global economic and industry market conditions and changes therein. Such forward-looking statements reflect management's current expectations concerning future events and results of the Company, and are subject to various assumptions, risks and uncertainties including specifically, and without limitation, those set forth in Part I, Item 1A "Risk Factors" of the 2015 Form 10-K. Accordingly, actual future events or results could differ materially from those contemplated by the forward-looking statements. The Company assumes no obligation to update or provide revision to any forward-looking statement at any time for any reason.

The company and its directors and executive officers may be deemed to be participants in the solicitation of proxies from the company's stockholders in respect of the 2015 annual meeting. Ethan Allen plans to file with the U.S. Securities and Exchange Commission a definitive proxy statement and an accompanying proxy card in connection with the 2015 annual meeting (the "2015 proxy materials"). The 2015 proxy materials will contain important information about the Company, its directors and executive officers, the 2015 annual meeting and related matters. Stockholders are strongly urged to read the 2015 proxy materials, any amendments and supplements thereto, and the accompanying proxy card carefully when they are available. Stockholders will be able to obtain free copies of the 2015 proxy materials and other documents filed with the SEC by the Company through the web site maintained by the SEC at www.sec.gov and on the company's web site at http://www.ethanallen.com/en_us/investor-relations1.html. Information regarding the identity of potential participants, and their direct or indirect interests, by security holdings or otherwise, will be set forth in the 2015 proxy materials.

A Brand on the Move: Ethan Allen Finds New Home in Toledo

Levis Commons Welcomes America's Classic Design Brand

TOLEDO, Ohio, Oct. 01, 2015 (GLOBE NEWSWIRE) -- Toledo has a new home for classic American design. Ethan Allen has returned to the area with a new Design Center in the popular Levis Commons shopping center in Perrysburg. The new location will open its doors on October 2nd.

A photo accompanying this announcement is available at <http://www.globenewswire.com/NewsRoom/AttachmentNg/3c20bbd9-6c19-4cec-b437-9454b5e37509>

The new space will showcase a new direction for the 83-year-old brand. "This is an Ethan Allen some people may not recognize," says the company's Chairman, President, and CEO Farooq Kathwari. "The products are relaxed and relevant to today's lifestyles, the technology on the floor is state of the art, and the Design Center itself is located where our customers live and play."

On display throughout the new Design Center, hundreds of classic new designs will be showcased in fully appointed yet completely livable dining rooms, living rooms, bedrooms, and media rooms. Clients can also find entryway and outdoor styles as well as furnishings for kids and teens rooms, rugs, drapery, lighting, wall décor, pillows, throws, lifelike florals and trees, and gifts for everyone on their list.

There will also be wall-mounted touchscreen monitors where shoppers can explore the world of Ethan Allen and a comfortable design studio. For those looking to take the guesswork out of design, a full staff of design professionals, each of whom carries a tablet PC to facilitate the creative process, will offer complimentary design services with in-store and in-home consultations.

"Our new Design Center is an inspiring destination in a great location," said Managing Director Pamela Bemus. "We recently participated in the eleventh Annual Levis Commons Fine Art Fair, where fourteen of our Modern Masters pieces were displayed in the outdoor space in front of the new Design Center. It generated a lot of excitement about our pending return to the market, and people said they couldn't wait for the grand opening! Of course, we couldn't be happier to be back, and our design team looks forward to reintroducing Ethan Allen to Toledo!"

The new Design Center in Levis Commons is located at 3110 Levis Commons Boulevard in Perrysburg. Summer hours are Monday through Saturday, 10:00 AM to 9:00 PM, and Sunday, 12:00 PM to 5:00 PM. Winter hours are: Monday through Thursday, 10:00 AM to 8:00 PM; Friday and Saturday, 10:00 AM to 9:00 PM; and Sunday, 12:00 PM to 5:00 PM. For more information, please contact Pamela Bemus at pbemus@ethanalleninc.com.

Ethan Allen Interiors Inc. (NYSE:ETH) is a leading interior design company and manufacturer and retailer of quality home furnishings. The company offers complimentary interior design service to its clients and sells a full range of furniture products and decorative accessories through ethanallen.com and a network of approximately 300 Design Centers in the United States and abroad. Ethan Allen owns and operates eight manufacturing facilities including five manufacturing plants and one sawmill in the United States plus one plant each in Mexico and Honduras. Approximately seventy percent of its products are made in its North American plants. www.ethanallen.com. Follow Ethan Allen: Facebook, Pinterest, Twitter, Houzz, You Tube, Instagram, Google Plus

The photo is also available at Newscom, www.newscom.com, and via AP PhotoExpress.

Contact:

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ETHAN ALLEN