

ETHAN ALLEN INTERIORS INC  
Form DEF 14A  
October 25, 2013

QuickLinks -- Click here to rapidly navigate through this document

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

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

**ETHAN ALLEN INTERIORS INC.**

---

(Name of Registrant as Specified In Its Charter)

---

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
  - (2) Aggregate number of securities to which transaction applies:
  - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
  - (4) Proposed maximum aggregate value of transaction:
  - (5) Total fee paid:

Edgar Filing: ETHAN ALLEN INTERIORS INC - Form DEF 14A

- o Fee paid previously with preliminary materials.
  - o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
    - (1) Amount Previously Paid:
    - (2) Form, Schedule or Registration Statement No.:
    - (3) Filing Party:
    - (4) Date Filed:
-

**ETHAN ALLEN INTERIORS INC.**

**Ethan Allen Drive  
Danbury, Connecticut 06811**

October 25, 2013

Dear Stockholder:

You are cordially invited to attend the 2013 Annual Meeting of stockholders of Ethan Allen Interiors Inc. This meeting will be held at the Ethan Allen International Corporate Headquarters, Ethan Allen Drive, Danbury, Connecticut 06811 at 9:00 A.M., local time, on Wednesday, December 4, 2013.

In connection with the meeting, we have prepared a notice of the meeting, a proxy statement, and our 2013 annual report to stockholders, which provide detailed information relating to our activities and operating performance. On October 25, 2013, we mailed to our stockholders a Notice Regarding the Availability of Proxy Materials containing instructions on how to access these materials online. We believe electronic delivery will expedite the receipt of materials, while lowering costs and reducing the environmental impact of our annual meeting, by reducing printing and mailing of full sets of materials.

You will find information about the matters to be voted on at the meeting in the formal Notice Regarding the Availability of Proxy Materials and the Proxy Statement.

Your vote is very important and we hope you will be able to attend the meeting. To ensure your representation at the meeting, even if you anticipate attending in person, we urge you to vote. If you attend, you will, of course, be entitled to vote in person.

Whether or not you plan to attend the annual meeting of stockholders, we encourage you to vote your shares.

Sincerely,

M. Farooq Kathwari  
*Chairman of the Board,  
President and Principal Executive Officer*

---

**ETHAN ALLEN INTERIORS INC.**

Ethan Allen Drive  
Danbury, Connecticut 06811

**NOTICE OF 2013 ANNUAL MEETING OF STOCKHOLDERS**

To our Stockholders:

The Annual Meeting of stockholders of Ethan Allen Interiors Inc. will be held at the Ethan Allen International Corporate Headquarters on Wednesday, December 4, 2013 at 9:00 A.M., local time, for the purpose of considering and acting upon the following:

1. The election of directors;
2. The ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the 2014 fiscal year;
3. The ratification of the advisory resolution to approve the compensation to our Named Executive Officers;
4. The approval of an amendment to our Amended and Restated Certificate of Incorporation to eliminate the classified structure of our Board of Directors; and
5. Such other business as may properly come before the meeting.

UNLESS YOU PROVIDE SPECIFIC INSTRUCTIONS AS TO HOW TO VOTE, BROKERS MAY NOT VOTE YOUR SHARES OF COMMON STOCK ON THE ELECTION OF DIRECTORS OR THE NON-BINDING ADVISORY RESOLUTION REGARDING THE COMPENSATION TO OUR NAMED EXECUTIVE OFFICERS.

The Board of Directors has fixed October 11, 2013 as the record date for determining stockholders entitled to notice of, and to vote at, the meeting. It is important that your shares be represented and voted at the meeting. If you received the proxy materials by mail, you can vote your shares by completing, signing, dating, and returning your completed proxy card, or you may vote by telephone or over the Internet. If you received the proxy materials over the Internet, a proxy card was not sent to you, and you may vote your shares by telephone or over the Internet. To vote by telephone or Internet, follow the instructions included in the formal Notice Regarding the Availability of Proxy Materials, Proxy Statement or on the Internet. You can revoke a proxy at any time prior to its exercise at the meeting by following the instructions in the Proxy Statement.

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be held on December 4, 2013 the proxy statement and the annual report are available at <http://materials.proxyvote.com/297602>**

By Order of the Board of Directors,  
Eric D. Koster  
*Corporate Secretary*

October 25, 2013  
Ethan Allen Interiors Inc.  
Ethan Allen Drive  
Danbury, Connecticut 06811

---

## ETHAN ALLEN INTERIORS INC.

Ethan Allen Drive  
Danbury, Connecticut 06811

### Questions and Answers

**Q: What is a proxy?**

A: A proxy is a document, also referred to as a "proxy card," on which you authorize someone else to vote for you at the upcoming Annual Meeting in the way that you want to vote. You also may choose to abstain from voting. This Proxy Statement is furnished in connection with the solicitation by the Board of Directors (the "Board of Directors") of Ethan Allen Interiors Inc., a Delaware corporation (the "Company"), of proxies for use at the 2013 Annual Meeting of stockholders (the "Annual Meeting") to be held on Wednesday, December 4, 2013 at the Ethan Allen International Corporate Headquarters, Ethan Allen Drive, Danbury, Connecticut 06811 at 9:00 A.M., local time, or any adjournment thereof. The Proxy Statement and our Annual Report are first being made available electronically on or about October 25, 2013.

**Q: What are the purposes of this annual meeting?**

A: At the Annual Meeting, stockholders will elect two Class II directors for a three-year term expiring in 2016. The Board of Directors' Class II nominees for election are: Clinton A. Clark and Kristin Gamble. If Proposal 4 below to declassify the structure of our Board of Directors is approved by stockholders, all of our directors, regardless of which class they are currently in, will serve until the annual meeting of stockholders held in 2014 instead of until the expiration dates set forth below for each class. Thereafter, there will be no separate classes of directors and stockholders will be asked to vote for nominees for all of the directors on the Board of Directors each year at the annual meeting of stockholders. Stockholders will also vote on: (i) ratifying our appointment of KPMG LLP ("KPMG") as our independent registered public accounting firm for fiscal year 2014; and (ii) ratifying the advisory resolution to approve the compensation to our Named Executive Officers. Other than routine or procedural matters, we do not expect any other business will be brought up at the meeting, but if any other business is properly brought up, the persons named in the proxy card will have authority to vote as they see fit.

**Q: Why did I receive a one-page notice in the mail regarding the Internet availability of proxy materials instead of a full set of proxy materials?**

A: In accordance with rules adopted by the Securities and Exchange Commission ("SEC"), rather than mailing a printed copy of our proxy materials to each stockholder of record, we may now send some or all of our stockholders a Notice Regarding the Availability of Proxy Materials ("Notice"), which indicates how our stockholders may:

access their proxy materials and vote their proxies over the Internet or by telephone; or

request a paper copy of the materials, including a proxy card.

**Q: How can I get electronic access to the proxy materials?**

A: The Notice provides you with instructions regarding how to:

view our proxy materials for the Annual Meeting over the Internet; or

instruct us to send our future proxy materials to you electronically, by email, instead of sending you printed copies by mail.



## Edgar Filing: ETHAN ALLEN INTERIORS INC - Form DEF 14A

Choosing to receive your future proxy materials by email will save us the cost of printing and mailing documents to you and will reduce the adverse impact of our Annual Meeting of stockholders on the environment. If you choose to receive future proxy materials by email, you will receive an email next year with instructions containing a link to those materials and a link to the proxy voting site. Your election to receive proxy materials by email will remain in effect until you terminate it. The Annual Report and the Form 10-K accompany the proxy materials but are not considered part of the proxy soliciting materials.

**Q:**  
**Who is entitled to vote?**

**A:**  
Only record holders of our shares of common stock at the close of business on the record date for the meeting are entitled to vote at the Annual Meeting. The Board of Directors has fixed the close of business on October 11, 2013 as the record date (the "Record Date") for the determination of stockholders entitled to notice of, and to vote at, the Annual Meeting. As of the Record Date, the Company had outstanding 28,914,601 shares of common stock, par value \$0.01 per share (the "Common Stock"). The holders of Common Stock as of the Record Date are entitled to notice of, and to vote at, the Annual Meeting. Holders of Common Stock are entitled to one vote per share.

**Q:**  
**How do I vote?**

**A:**  
You can vote either in person at the Annual Meeting or by proxy whether or not you attend the Annual Meeting. You can vote by proxy in three ways:

*By mail* If you received your proxy materials by mail, you can vote using the proxy card;

*By telephone* In the United States and Canada, you can vote by telephone by following the instructions in the Notice, on the Internet or on your proxy card if you received your materials by mail; or

*By Internet* You can vote over the Internet by following the instructions on the Notice or on your proxy card if you received your materials by mail.

If you vote by proxy, your shares will be voted at the Annual Meeting in the manner you indicate. If your shares are held in your name (but not in nominee name through a broker) and if you sign your proxy card, but do not specify how you want your shares to be voted, they will be voted as the Board of Directors recommends.

**Q:**  
**Can I change my vote after I have voted?**

**A:**  
A later vote by any means will cancel any earlier vote. For example, if you vote by telephone and later vote differently on the Internet, the Internet vote will count, and the telephone vote will be canceled. If you wish to change your vote by mail, you should write our Corporate Secretary, at the address set forth at the beginning of the Questions and Answers, and request a new proxy card. The last vote we receive before the meeting will be the one counted. You also may change your vote by voting in person at the meeting.

**Q:**  
**What does it mean if I get more than one proxy card?**

**A:**  
It means that your shares are registered in more than one way. Sign and return *all* proxy cards or vote *each* group of shares by mail, telephone or over the Internet to ensure that all your shares are voted.

**Q:**  
**Who are the named Proxies for the Annual Meeting?**

**A:**  
M. Farooq Kathwari ("Mr. Kathwari" or the "CEO") and James W. Schmotter were selected by the Board of Directors to serve as Proxies for the Annual Meeting. Each properly executed and returned



## Edgar Filing: ETHAN ALLEN INTERIORS INC - Form DEF 14A

proxy card will be voted by the Proxies in accordance with the directions indicated thereon, or if no directions are indicated, such proxy will be voted in accordance with the recommendations of the Board of Directors contained in this Proxy Statement. In voting by proxy with regard to the election of directors, stockholders may vote in favor of all nominees, withhold their vote as to all nominees or withhold their vote as to a specific nominee(s). Each stockholder giving a proxy has the power to revoke it at any time before the shares it represents are voted. Revocation of a proxy is effective upon receipt of a later vote by (i) telephone; (ii) Internet; or (iii) receipt by the Corporate Secretary of the Company of either: (a) an instrument revoking the proxy; or (b) a duly executed proxy card bearing a later date. Additionally, a stockholder may change or revoke a previously executed proxy by voting in person at the Annual Meeting.

**Q:**  
**What is a Broker Non-Vote?**

**A:**  
The SEC approved a New York Stock Exchange (NYSE) amendment to Rule 452 prohibiting brokers from exercising "discretionary voting" in all director elections. The amendment applies to stockholder meetings held on or after January 1, 2010. Therefore, if your shares are held in nominee name by your broker and you do not provide instructions to your broker on how you want your shares voted in director elections, your broker is prohibited from exercising discretionary voting and voting those shares in the director elections.

**Q:**  
**What is Electronic Access?**

**A:**  
Our proxy statement and our 2013 annual report are available on an Internet site at <http://materials.proxyvote.com/297602>. Most stockholders can elect to view future proxy statements and annual reports over the Internet instead of receiving paper copies in the mail. If you are a registered stockholder, you can choose this option and save the Company the cost of producing and mailing these documents by following the instructions provided on your proxy card or following the prompt if you choose to vote over the Internet. If you hold your stock in nominee name (such as through a bank or broker), check the information provided by your nominee for instructions on how to elect to view future proxy statements and annual reports over the Internet. If you are a registered stockholder and have chosen to view future proxy statements and annual reports over the Internet, you will receive an email with instructions containing the Internet address of those materials.

**Q:**  
**How many shares must be present to hold the Meeting?**

**A:**  
In order for the Meeting to be conducted, one-third of the outstanding shares of Common Stock as of the Record Date must be present in person or represented by proxy at the Annual Meeting. This is referred to as a quorum. Abstentions, withheld votes and shares held of record by a bank, broker or its nominee ("broker shares") pursuant to a signed proxy or voting instruction card that are voted on any matter (including an abstention or withheld vote by broker shares) are included in determining the number of shares present. Broker shares that are not voted on any matter will not be included in determining whether a quorum is present.

**Q:**  
**What vote is needed to elect Directors?**

**A:**  
At the Annual Meeting, the vote of a majority in interest of the stockholders present, in person or by proxy, and entitled to vote thereon is required to elect or ratify directors.

**Q:**  
**What vote is needed to ratify the appointment of KPMG LLP?**

**A:**  
At the Annual Meeting, the vote of a majority in interest of the stockholders present, in person or by proxy, and entitled to vote thereon is required to ratify the appointment of KPMG as the independent registered public accounting firm of the Company.

**Q: What vote is needed to approve the non-binding resolution regarding the compensation of our Named Executive Officers?**

A: At the Annual Meeting, the vote of a majority in interest of the stockholders present, in person or by proxy, and entitled to vote thereon is required to ratify the non-binding resolution regarding the compensation of our Named Executive Officers. Because your vote is advisory, it will not be binding on the Board of Directors or the Company. However, the Board of Directors will review the voting results on this resolution and take them into consideration when making future decisions regarding executive compensation.

**Q: What vote is needed to approve the amendment to the Company's Amended and Restated Certificate of Incorporation to eliminate the classified structure of our Board of Directors?**

A: Approval of the amendment to the Company's Amended and Restated Certificate of Incorporation to eliminate the classified structure of our Board of Directors requires the affirmative vote of the holders of not less than sixty-six and two-thirds percent (66<sup>2</sup>/<sub>3</sub>%) of all of the outstanding shares of Common Stock entitled to vote, in person or by proxy. If this Proposal 4 is approved by our stockholders, the Declassification Amendment will become effective promptly after the Annual Meeting upon the filing thereof by the Company with the Secretary of State of the State of Delaware.

**Q: How will the votes be tabulated?**

A: The election inspectors appointed for the Annual Meeting will tabulate the votes cast, in person or by proxy, at the Annual Meeting and will determine whether or not a quorum is present. The election inspectors will treat abstentions as shares that are present and entitled to vote for purposes of determining the presence of a quorum but as unvoted for purposes of determining the approval of any matter submitted to the stockholders for a vote. If a broker indicates on the proxy that it does not have discretionary authority to vote on a particular matter, as to certain shares, those shares will not be considered as present and entitled to vote with respect to that matter.

**Q: How will my shares be voted if I do not return my proxy or my voting instruction form?**

A: It will depend on how your ownership of shares of Common Stock is registered. If you own your shares as a registered holder, which means that your shares of Common Stock are registered in your name with Computershare Investor Services LLC ("Computershare"), our transfer agent, your shares will only be voted if Computershare receives specific voting instructions from you. Otherwise, your unvoted shares will not be represented at the Annual Meeting and will not count toward the quorum requirement (which is explained under "Questions and Answers How many shares must be present to hold the Annual Meeting") above, unless you attend the Annual Meeting to vote them in person.

If you are a stockholder whose shares of Common Stock are held in street name, which means that your shares are registered in the name of your bank, broker or other nominee, your bank, broker or other nominee may or may not vote your shares in its discretion if you have not provided voting instructions to the bank, broker or its nominee. Whether the bank, broker or other nominee may vote your shares depends on the proposals before the Annual Meeting. Under the rules of the NYSE, your bank, broker or other nominee may vote your shares in its discretion on "routine matters." Based on the rules of the NYSE, we believe that the ratification of the appointment of KPMG as our independent registered public accounting firm is a routine matter for which your bank, broker or other nominee may vote in their discretion on behalf of their clients if no voting instructions are provided. Therefore, if you are a stockholder whose shares of Common Stock are held in street name with a bank, broker or other nominee and you do not return your voting instruction form, your bank, broker or other nominee may vote your shares on the ratification of the appointment of KPMG as our independent registered public accounting firm.

## Edgar Filing: ETHAN ALLEN INTERIORS INC - Form DEF 14A

The rules of the NYSE, however, do not permit your bank, broker or other nominee to vote your shares on proposals that are not considered "routine." When a proposal is not a routine matter and your bank, broker or other nominee has not received your voting instructions with respect to that proposal, your bank, broker or other nominee cannot vote your shares on that proposal. This is called a "broker non-vote." Your bank, broker or other nominee may not vote your shares with respect to (i) the election of the nominees for Director or (ii) the non-binding advisory resolution regarding the compensation of our Named Executive Officers, in the absence of your specific instructions as to how to vote with respect to each of these matters because, under the rules of the NYSE, these matters are not considered "routine matters."

**Q:**

**Where can I find the results of the Annual Meeting?**

**A:**

We intend to announce preliminary voting results at the Annual Meeting and publish final results through a Current Report on Form 8-K that we will file with the SEC within four business days of the Annual Meeting.

### **PROPOSAL 1**

#### **ELECTION OF DIRECTORS**

The Board of Directors is presently composed of eight members. The Restated Certificate of Incorporation of the Company divides the Board of Directors into three classes, with one class of directors elected each year for a three-year term. The term of the directors in Class II, which is currently composed of three directors, expires as of the Annual Meeting.

The Board of Directors, upon unanimous recommendation of the Nominations/Corporate Governance Committee, unanimously approved Clinton A. Clark and Kristin Gamble as the nominees for Class II directors to serve for a three year term. Don M. Wilson, III will complete his current term as a Class II director and will not be standing for re-election. The Board of Directors has adopted a resolution that, upon the election of two directors at the Annual Meeting and Mr. Wilson's retirement from the Board of Directors, the size of the Board of Directors will be reduced to seven directors.

The Company and its Board of Directors thanks Mr. Wilson, III for his years of service and contributions to the Board of Directors.

If for any reason Mr. Clark or Ms. Gamble becomes unable or unwilling to serve at the time of the Annual Meeting, the persons named as proxies will have discretionary authority to vote for a substitute nominee(s). Alternatively, the Board of Directors may choose to reduce the size of the board, as permitted by our Amended and Restated By-laws ("By-laws"). It is not anticipated that Mr. Clark or Ms. Gamble will be unavailable or will decline to serve as director.

The following sets forth information as to Mr. Clark and Ms. Gamble and each director continuing in office, including his or her age, present principal occupation, specific expertise, qualifications and skills along with other business experience, directorships in other publicly held companies, membership on committees of the Board of Directors and period of service as a director of the Company. Also set forth below is a brief discussion of the specific experience, qualifications, attributes or skills that led to his or her nomination as a Director, in light of the Company's business.

#### **Nominees for Election at this Annual Meeting to a Term Expiring in 2016**

**Clinton A. Clark**, 71, was elected as a director of the Company on June 30, 1989. He and a partner are sole owners of Clark Quality Construction, LLC, a residential development company. Prior to founding Clark Quality Construction, Mr. Clark was Chairman, President and Chief Executive Officer of Long John Silver's Restaurants, Inc. from 1990 through September 1993 and prior thereto was President and Chief Executive Officer of The Children's Place, a retail children's apparel chain he founded in 1968. Mr. Clark

has also been an investor and director of several private companies. Mr. Clark's experience managing publicly traded companies, experience as an executive, and his knowledge of the history of the Company has provided the Company with a wealth of knowledge in strategic planning, corporate finance, compensation, and sales and marketing in consumer related industries. He has the necessary skills to fulfill his role as Chairman of the Company's Audit Committee.

**Kristin Gamble**, 68, was elected as a director of the Company on July 28, 1992. Since 1984, she has been President of Flood, Gamble Associates, Inc., an investment counseling firm. Ms. Gamble was Senior Vice President responsible for equity strategy and economic research with Manufacturers Hanover Trust Company from 1981 to 1984. Prior to that, she held various management positions with Manufacturers Hanover (1977-1981), Foley, Warendorf & Co., a brokerage firm (1976-1977), Rothschild, Inc. (1971-1976) and Merrill, Lynch, Pierce, Fenner & Smith (1968-1971). Since May 1995, she has served as a member of the Board of Trustees of Federal Realty Investment Trust. Through her roles and responsibilities Ms. Gamble has extensive experience and insight relevant to her service to the Company, including that of Trustee of a realty investment trust and her knowledge of real estate markets. Ms. Gamble's knowledge of the history of the Company as well as her significant financial management experience has resulted in strong skills in corporate finance, accounting and compensation. She is a member of the Compensation Committee and the Company's Audit Committee.

#### **Directors Whose Present Terms Will Continue Until 2015**

**James W. Schmotter**, 66, was elected as a Director of the Company on April 20, 2010. Dr. Schmotter currently serves as President of Western Connecticut State University. He previously served as Western Michigan University's Dean of the Haworth College of Business, the Dean of the College of Business and Economics at Lehigh University in Pennsylvania, as well as Associate Dean and Director of International Studies at the Johnson Graduate School of Management at Cornell University. Dr. Schmotter has consulted for a variety of organizations including IBM, TRW, the Institute for International Education, the Cleveland Foundation, the Graduate Management Admission Council, the Educational Testing Service, United States Agency for International Development, and a number of universities in the U.S., Asia and Europe. He has served as Chairman of the Board of Trustees of the Graduate Management Admission Council, was the founding Vice Chair of the Board of the MBA Enterprise Corps, has been a member of many committees of the Association to Advance Collegiate Schools of Business and served as a member of the Executive Committee of the NCAA. Dr. Schmotter is currently Chair of the Board of Directors of the United Way of Western Connecticut, a incorporator of the Savings Bank of Danbury, and a former Director of the Greater Danbury Chamber of Commerce. Dr. Schmotter's strong leadership, educational and governmental background provides key insight and experience in strategic planning, international/global issues as well as communicating with younger customers which is valuable in his service to the Company. He is a member of the Audit Committee and Nominations/Corporate Governance Committee as well as the Lead independent Director in 2013.

**Frank G. Wisner**, 75, was elected as a Director of the Company on July 23, 2001. He is International Affairs Advisor of the law firm Patton Boggs LLP. He is the former Vice Chairman, External Affairs, of American International Group ("AIG"), a United States-based mixed financial services and international insurance organization. Mr. Wisner is also on the Board of Directors of EOG Resources. He is also a member of the Board of Directors of the Commercial International Bank (CIB) in Cairo, Egypt and of Pangea 3, a New York based legal outsourcing company, privately held. Prior to joining AIG, he was the United States Ambassador to India from July 1994 through July 1997. He retired from the United States Government with the rank of Career Ambassador, the highest grade in the Foreign Service. Mr. Wisner joined the State Department as a Foreign Service Officer in 1961 and served in a variety of overseas and Washington positions during his 36-year career. Among his other positions, Mr. Wisner served successively as United States Ambassador to Zambia, Egypt and the Philippines. Before being named United States Ambassador to India, his most recent assignment was as Under Secretary of Defense for Policy. Prior to that, he was Under Secretary of State for International Security Affairs. Ambassador Wisner's global, diplomatic and governmental experience provides insights and perspectives valuable in the operations and strategic planning of the Company. He is Chairman of the Company's Nominations/Corporate Governance Committee.

**Directors Whose Present Terms Will Continue Until 2014**

**M. Farooq Kathwari**, 69, is the Chairman, President and Principal Executive Officer of Ethan Allen Interiors Inc. He has been President of the Company since 1985 and Chairman and Principal Executive Officer since 1988. He received his B.A. degree from Kashmir University in English Literature and Political Science and an M.B.A. in International Marketing from New York University. Mr. Kathwari serves on the President's Advisory Commission on Asian Americans and Pacific Islanders and several not-for-profit organizations, including: Director of Refugees International, Director and former Chairman of American Home Furnishings Alliance, Director of National Retail Federation (NRF) and Director of International Rescue Committee. Mr. Kathwari has received numerous recognitions, including most recently the Honorary Doctor of Public Service Degree awarded by Tufts University President on May 20, 2012, the NRF's highest honor Gold Medal Award, and was inducted into the Furniture Hall of Fame. Mr. Kathwari has extensive experience and knowledge of the history of our Company and the furniture industry as well as extensive experience in growing and managing a business. He possesses insight into retailing, marketing, manufacturing, and strategic planning from experience with the Company as well as his broad experience with both for-profit and not-for-profit organizations which has given him perspectives from other industries valuable to his service to the Company.

**James B. Carlson**, 58, was elected as a director of the Company on June 10, 2013. Mr. Carlson serves as an Adjunct Professor at the New York University School of Law, teaching Securities and Capital Markets Regulation since 1996. From 2009 through 2011, he also taught Derivatives and Changing Regulation at the School of Law, and from 2010 through 2012, he taught Microfinance and Access to Finance for the Global Poor as an Adjunct Professor at the NYU Stern School of Business. Mr. Carlson, who has been practicing law since 1981, currently is a member of the law firm Mayer Brown, LLP, where he has been a partner since 1998. From 1997 through 2004, he was the Partner-in-Charge of the firm's New York Office, and also served as the firm's Global Practice Leader from 2004 through 2008. Mr. Carlson brings extensive knowledge in corporate and financial strategies, and is a highly regarded member of both the legal and business communities. Mr. Carlson is the Chairman of the Compensation Committee and a member of the Audit Committee.

**John J. Dooner, Jr.**, 65, was elected as a director of the Company on January 26, 2011. He recently established The Dooner Group, a marketing communication consultancy, and serves as Chairman Emeritus of McCann Worldgroup ("McCann"), a company he formed in 1997 and of which he had been CEO from its founding until 2010. Under Mr. Dooner's leadership, McCann grew to be one of the world's largest marketing communications organizations, with operations in over 125 countries with a client roster that includes preeminent global marketers and many of the world's most famous brands. Prior to assuming that position, Mr. Dooner was CEO of McCann Erickson Worldwide, a post he assumed in 1992. Mr. Dooner also serves on several not-for-profit organizations, including Chairman of St Thomas University Miami Florida. Immediate Past Chairman of Board of Trustees remains Chairman of Brand Platform United Way Worldwide Washington DC. He is a member of the Compensation Committee and Nominations/Corporate Governance Committee.

If Proposal 4 below to declassify the structure of our Board is approved by stockholders, all of our directors, regardless of which class they are currently in, will serve until the annual meeting of stockholders held in 2014 instead of until the expiration dates set forth above for each class, and thereafter, there will be no separate classes of directors and stockholders will be asked to vote for all of the directors on the Board each year at the annual meeting of stockholders.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE ELECTION OF THE NOMINEES FOR DIRECTOR NAMED ABOVE, WHICH IS DESIGNATED AS PROPOSAL NO. 1.**

### **NOMINATIONS/CORPORATE GOVERNANCE COMMITTEE**

The duties of the Nominations/Corporate Governance Committee ("Nominations Committee") include, but are not limited to, the duty to: (i) develop qualification criteria for the members of the Board of Directors and nominate or recommend to the Board of Directors individuals to serve on the Board of Directors; (ii) review, annually, the qualifications of each member of the Board of Directors; (iii) review and monitor the Company's corporate governance policies and guidelines, including the Company's trading policy for its directors and executive officers; and (iv) make an annual assessment of the Board of Directors' performance and report to the Board of Directors. The Nominations Committee follows the procedure concerning nominations or consideration of director candidates recommended by stockholders set forth in the By-laws. The By-laws of the Company permit stockholders, as of the Record Date, to nominate director candidates at the annual meeting, subject to certain notification requirements. (See "Stockholder Proposals and Nomination of Directors" under Other Matters, beginning on page 50 herein, for information on how to submit a proposal or nominate a director.) The Nominations Committee believes that as a result of the provisions in the By-laws, any separate policy relating to stockholder proposals or nominations would be duplicative. Each member of the Nominations Committee is independent within the meaning of the listing standards of the NYSE. The Nominations Committee held two (2) meetings and individual committee members communicated, when necessary, by telephone or other means during fiscal year 2013.

The Nominations Committee seeks candidates who demonstrate a willingness and ability to prepare for, attend and participate in all Board of Directors and committee meetings and whose experience and skill would complement the then existing mix of directors. The Nominations Committee may consider the diversity of a candidate's background and experience when evaluating a nominee, as well as the diversity of a candidate's perspectives, which may result from diversity in age, gender, ethnicity or national origin. While the Nominations Committee may consider diversity in its evaluation process, the Nominations Committee does not have a formal policy with regard to the consideration of diversity in identifying director nominees. The Nominations Committee gathers suggestions as to individuals who may be available to meet the Board of Directors' future needs from a variety of sources, such as past and present directors, stockholders, colleagues and other parties with which a member of the Nominations Committee or the Board of Directors has had business dealings, and undertakes a preliminary review of the individuals suggested. At such times as the Nominations Committee determines that a relatively near term need exists and the Nominations Committee believes that an individual's qualities and skills would complement the then existing mix of directors, the Nominations Committee or its Chair will contact the individual. The Chair will, after such contact, discuss the individual with the Nominations Committee. Based on the Nominations Committee's evaluation of potential nominees and the Company's needs, the Nominations Committee determines whether to nominate the individual for election as a director. While the Nominations Committee has not, in the past, engaged any third party firm or consultant to identify or evaluate nominees, the Nominations Committee, in accordance with its charter, may do so in the future. The Nominations Committee would evaluate nominees for director, recommended by a stockholder, in the same manner it undertakes the Nominations Committee's evaluation.

### **CORPORATE GOVERNANCE**

The Board of Directors has determined that Clinton A. Clark, James B. Carlson, John J. Dooner, Jr., Kristin Gamble, James W. Schmotter and Frank G. Wisner are independent directors within the meaning of the listing standards of the NYSE. In order for a Director to be considered "independent" by the Board of Directors, he or she must (i) be free of any relationship that, applying the rules of the NYSE, would preclude a finding of independence and (ii) not have any material relationship (either directly or as a partner, stockholder or officer of an organization) with us or any of our affiliates of any of our executive officers or any of our affiliates' executive officers. In evaluating the materiality of any such relationship, the Board of Directors takes into consideration whether disclosure of the relationship would be required by

## Edgar Filing: ETHAN ALLEN INTERIORS INC - Form DEF 14A

the disclosure rules under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended (the "Exchange Act"). If disclosure of the relationship is required, the Board of Directors must make a determination that the relationship is not material as a prerequisite to finding that the Director is independent.

### Corporate Governance Highlights

We comply with the corporate governance requirements imposed by the SEC and the NYSE, and in doing so, the Board of Directors adopted corporate governance guidelines (the "Governance Guidelines"). Many features of our corporate governance principles are discussed in other sections of this proxy statement, but some of the highlights are:

**Published Governance Guidelines.** A copy of the Governance Guidelines as well as our Code of Ethics, Charters for our Audit, Compensation, and Nominations / Corporate Governance committees, and Directors and Executive Officer Policies, and our Securities Trading and Conflict of interest policy can be found under "Corporate Governance Charters & Policies" on the Investor Relations page of our website at [www.EthanAllen.com](http://www.EthanAllen.com).

**Independent Board.** All members of our Board are independent directors, with exception of our Chairman of the Board and Chief Executive Officer.

**Independent Board Committees.** All members of our Audit, Compensation, and Nominating / Corporate Governance committees are independent directors, and none of such members receives compensation from the Company other than for service on its Board of Directors or its committees.

**Independent Executive Sessions.** The Board of Directors is required to have executive sessions where independent directors meet without the Chairman and management at the time of each Board of Directors meeting. In addition, periodically throughout the year, the full Board of Directors, including or excluding the Chairman, may meet without management participation.

**Committee Authority to Retain Independent Advisors.** The Audit, Compensation, and Nominations / Corporate Governance committees have the authority to retain independent advisors, with all fees and expenses to be paid by the Company.

**Audit Committee Policies and Procedures.** Under its charter, the Audit Committee's prior approval is required for all audit services and permitted non-audit services (other than de minimis permitted non-audit services as defined and permitted by the Sarbanes-Oxley Act of 2002) to be provided by our independent registered public accounting firm.

**Audit Committee Financial Expert.** Our Board of Directors has determined that all five members of the Audit Committee are audit committee financial experts within the meaning of the SEC rules and are independent directors within the meaning of the listing standards of the NYSE.

**No Stockholder Rights Plan (poison pill).** Our previous stockholder rights plan was allowed to expire May 31, 2012.

**Actions to Eliminate Classified Board.** The Company has initiated Proposal 4, to amend our Amended and Restated Certificate of Incorporation to eliminate the classified structure of our Board of Directors.

**No Cumulative Voting.** We do not provide for cumulative voting of directors by our stockholders.

## Formal Adoption of Additional Policies

In 2013, we decided to formalize and clarify our best practices in relation to our Board of Directors and executive officers in a Director Policy and Executive Officer Policy effective as of the Annual Meeting including the following:

**A Recoupment / Clawback Provision.** The Company's executives will be required to pay back incentive awards erroneously awarded to them on the basis of restated financial statements, if they participated in fraud or misconduct leading to the restated financial statements.

**Stock Ownership Requirements.** It is the Company's intention that its Directors and executive officers acquire ownership of an amount of Company stock. The value of the intended holdings is equal to a multiple of the base compensation (three times annual cash compensation for directors, five times salary for the CEO, and two times the annual salary for the other executive officers) to be accumulated over five years. Pledged shares are not considered when determining compliance with the guidelines. The standards are reviewed and modified annually or as necessary after a significant increase or decrease in share price.

**Holding Requirement.** Our Directors and executive officers are required to hold any Company stock acquired upon the exercise of stock options or restricted stock issued to them for one year following their exercise or vesting, as applicable, except to the extent necessary to pay income and other taxes assessed upon exercise of the options or vesting of that stock or to fund or pay for the exercise of options.

**No Hedging / Pledging Policy.** The Company's Board of Directors and executive officers are prohibited from hedging and / or pledging the Company's stock. Any pledges in place by any director or officer as of the Annual Meeting will be disclosed to the Company and subject to that prohibition within three years thereafter.

**Insider Trading Policies.** The Company's Board of Directors and executive officers will comply in all respects with the Company's insider trading policies including the Company's Statement of Policy Concerning Trading in the Company's Securities available under "Corporate Governance Charters & Policies" on the Investor Relations page of our website at [www.EthanAllen.com](http://www.EthanAllen.com).

**No Repricing or Buyouts.** The Company's stock options and plans for Directors and executive officers will prohibit repricing, extensions or cash buy outs for options.

**Change in Control Agreements.** The Company will generally restrict change in control agreements (other than Mr. Kathwari's employment agreement with the Company, dated as of September 30, 2011 (the "2011 Employment Agreement")), and will generally restrict any change in control agreements (including the 2011 Employment Agreement) which contain a "double trigger" condition for severance payments. The Company will generally restrict new change in control agreements that contain excise tax gross-ups, or amend existing change in control agreements without removing these provisions.

**Employment Agreements with Executives.** The Company will generally restrict entering into employment agreements with executive officers, except for the 2011 Employment Agreement with the CEO, for stock option and restricted stock agreements and severance and protective covenant agreements. The Company does not have employment agreements with any of our Named Executive Officers other than the 2011 Employment Agreement with our CEO and stock option and restricted stock agreements.

**Qualified Performance Based Compensation.** The Company will generally attempt to preserve the Federal income tax deductibility of compensation paid, to permit, but not require, the Compensation Committee to award compensation that meets the requirements for "qualified



## Edgar Filing: ETHAN ALLEN INTERIORS INC - Form DEF 14A

performance-based compensation." However, the Compensation Committee reserves the right to authorize the payment of nondeductible compensation when appropriate.

**Lead Independent Director.** The Company defined the role of the lead director, a position which rotates annually. Mr. Schmotter, an independent, non-executive director, currently serves as lead director.

**Director Attendance.** Directors are required to attend at least 75% of Director and committee meetings. In 2013 there was 100% attendance by each Director at each meeting of the Board of Directors and its committees.

**Director Tenure.** The Company established a retirement age of 75 years (subject to waiver/extension) for Directors, and mandated resignation of a Director upon failure to meet the Company's requirements or failing to attend the requisite number of meetings of the Board of Directors and its committees.

**Term Limits. The service of a Director will continue until:**

in the case of a Director who is also an executive of the Company, their effective termination of employment and services to the Company,

and in the case of any Director, until either the end of his elected term, unless duly nominated and re-elected as a Director for a subsequent term, or the conclusion of the Nominations/Governance Committee that a Director no longer satisfies the requirements and standards of the Director for service as a Director.

At the end of his term, a Director will resign as a Director.

**Limitation on Other Boards.** A Director will not serve as a director on the boards of directors of more than three publicly traded companies (including the Company).

**Limitation on Service to Competitors.** A Director will not serve as a director, executive, employee or consultant to any company that is a competitor to the Company, taking account of companies identified as competitors of the Company in the Company's public reports.

**No Director Loans.** The Company prohibits personal loans or credit advances by the Company to directors except for ordinary travel and expense advances, advance Director fee payments, and as required by Director indemnification.

These policies may be waived, updated or modified by either the Nominations / Corporate Governance Committee, Compensation Committee, the Board of Directors (or the CEO for the Executive Policy), upon notice to the Company and the Board of Directors. They are accessible by Company stockholders under "Corporate Governance Charters & Policies" on the Investor Relations page of our website at [www.EthanAllen.com](http://www.EthanAllen.com).

Further demonstrating the Company's response to feedback distilled from our stockholder outreach, the Company and its Board of Directors is submitting for vote at the Annual Meeting a proposal to eliminate the classified structure of the Board of Directors. See further discussion of this proposal under Proposal 4.

### **Stockholder Communication with Directors**

Stockholders or interested parties may communicate with the full Board of Directors, a full committee, individual committee members or individual directors by sending communications to the Office of the Secretary, Ethan Allen Interiors Inc., Ethan Allen Drive, Danbury, Connecticut 06811 for forwarding to the appropriate director(s). Please specify to whom your correspondence should be directed. The Corporate Secretary has been instructed by the Board of Directors to review and promptly forward all



## Edgar Filing: ETHAN ALLEN INTERIORS INC - Form DEF 14A

correspondence (except advertising material and ordinary business matters) to the full Board of Directors, full committee, individual director or committee member, as indicated in the correspondence.

### **Certain Transactions**

The Company is party to indemnification agreements with each of the members of the Board of Directors pursuant to which the Company has agreed to indemnify and hold harmless each member of the Board of Directors from liabilities incurred as a result of such director's status as a director of the Company, subject to certain limitations.

### **Certain Relationships and Related Party Transactions**

The Company recognizes that transactions between the Company and related persons present a potential for actual or perceived conflicts of interest. The Company's general policies with respect to such transactions are included in its Code of Business Conduct and Ethics ("Business Code"), the administration of which is overseen by the Nominations/Corporate Governance Committee. The Company defines "related party" transaction as any transaction or series of related transactions in excess of \$120,000 in which the Company is a party and in which a "related person" has a material interest and in which any related person had, has or will have direct or indirect interest. Related persons include (i) any person who is, or at any time since the beginning of our last fiscal year, was, a director or executive officer of us or a nominee to become a director, (ii) any person who is known to be the beneficial owner of more than 5% of any class of our voting securities, (iii) any immediate family member of any of the foregoing persons, which means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law of the director, executive officer, nominee or more than 5% beneficial owner and any person (other than a tenant or employee) sharing the household of such director, executive officer, nominee or more than 5% beneficial owner and (iv) any firm, corporation or other entity in which any of the foregoing persons is employed or is a general partner or principal or in a similar position or in which such person has a 5% or greater beneficial ownership interest.

The Company collects information about potential related party transactions in its annual questionnaires completed by directors and officers as well as throughout the year at its quarterly Disclosure Control Committee Meetings, comprised of key management responsible for significant business units, departments or divisions. Potential related party transactions are first reviewed and assessed by our General Counsel to consider the materiality of the transactions and then reported to the Nominations/Corporate Governance Committee. The Nominations/Corporate Governance Committee reviews and considers all relevant information available to it about each related party transaction and presents the facts to the members of the Board of Directors not associated with the potential related party transaction. A related party transaction is approved or ratified only if such members of the Board of Directors determine that it is not inconsistent with the best interests of the Company and its stockholders. The Company did not have any such transactions during fiscal year 2013.

### **Compensation Committee Interlocks and Insider Participation**

No member of the Compensation Committee was at any time an officer or employee of the Company, nor is any member of the Compensation Committee related to any other member of the Compensation Committee, any other member of the Board of Directors or any executive officer of the Company. No member of the Board of Directors or executive officer of the Company served as a director or member of the compensation or similar committee of another entity whose director(s) or executive officer(s) serve as a member of the Company's Compensation Committee.

## **Charters, Code and Guidelines**

The Company's Business Code, Corporate Governance Guidelines and the charters of its Audit Committee, Compensation Committee and Nominations/Corporate Governance Committee are available on the Company's website at [www.ethanallen.com/governance](http://www.ethanallen.com/governance). Any waiver of the Business Code for directors or Named Executive Officers may only be made by the Nominations/Corporate Governance Committee, and any waivers or amendments will be disclosed promptly by a posting on our website. Stockholders may request a copy of any of these documents by writing to: Ethan Allen Interiors Inc., Ethan Allen Drive, Danbury, CT 06811, Attn: Office of the Secretary.

## **Leadership Structure and Board of Directors' Role in Risk Oversight**

The Company defined the role of the lead director, a position which rotates annually. The Board expresses its intent that one person serving as both CEO and Chairman evidences sound management as it allows the assertion of unambiguous authority over the operations of the Company. There is no need to separate the roles of CEO and Chairman since the Company has a suitably empowered independent director who is expressly authorized to exert de facto control of the Company by asserting independent leadership of the Board, increasing the Board's independence over management. The Board formally designated Mr. Schmotter, an independent, non-executive director, as its lead director through the Annual Meeting. He organizes and chairs meetings of the independent directors and organizes, facilitates and communicates observations of the independent directors to the CEO, although each director is free to communicate directly with the CEO.

The Board of Directors believes that the best interests of the Company are served by Mr. Kathwari serving as both Chairman and CEO taking account of his unique long standing stature and investment in the Company and also the Board's utilization of a lead director. The Board of Directors believes that this governance structure provides the basis for clear, efficient executive authority in the Company, especially taking into account the Company's flat management structure, while balancing appropriate oversight by the Board of Directors.

The Board of Directors oversees an enterprise-wide approach to risk management, designed to identify risk areas and provide oversight of the Company's risk management, to support the achievement of organizational objectives, including strategic objectives, to improve long-term organizational performance and to enhance stockholder value. A fundamental part of the Board's risk management is to understand the risks the Company faces and what steps management is taking to manage those risks. The Board of Directors participates in discussions with management concerning the Company's overall level of risk, the Company's business strategy and organizational objectives which are all integral components of its assessment of management's tolerance for risk.

## **Meetings and Committees of the Board of Directors**

During fiscal year 2013, there were four (4) regularly scheduled meetings of the Board of Directors in addition to the 2012 Annual Meeting of Stockholders. Independent directors also met four (4) times in executive session without management present. The executive sessions were chaired by the lead independent director, currently James W. Schmotter.

All directors are expected to attend all regularly scheduled and special Board of Directors meetings, independent director meetings and committee meetings, as appropriate. The Board of Directors realizes that scheduling conflicts may arise from time to time which prevent a Director from attending a particular meeting. However, it is the Board's explicit policy that each Director shall give priority to his or her obligations to the Company. All Directors who then held office attended the 2012 Annual Meeting of stockholders. In fiscal year 2013, there was 100% attendance by each Director at each of the four Board of Directors meetings, six Audit Committee meetings, two Compensation Committee meetings, and two Nominations/Corporate Governance Committee meetings. Our policy is to expect resignation of any

## Edgar Filing: ETHAN ALLEN INTERIORS INC - Form DEF 14A

Director who is absent from more than twenty-five percent of regularly scheduled Board meetings or committee meetings in a fiscal year.

The Board of Directors has established three standing committees: the Audit Committee; the Compensation Committee; and the Nominations/Corporate Governance Committee. Committee memberships of each nominee and continuing or current director are set forth below:

Name	Audit Committee	Nominations/Corporate Governance Committee	Compensation Committee	Lead Independent Director
Clinton A. Clark	Chairperson			
James B. Carlson	Member		Chairperson	
John J. Dooner, Jr.		Member	Member	
Kristin Gamble	Member		Member	
James W. Schmotter	Member	Member		X
Don M. Wilson, III	Member			
Frank G. Wisner		Chairperson		

Additionally, the Board of Directors determined that all of the members of the standing committees are (i) independent within the meaning of the listings standards of the NYSE, (ii) non-employee directors (within the meaning of Rule 16b-3 under the Exchange Act) and (iii) outside directors (within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code")). See "Corporate Governance" beginning on page 8.

### AUDIT COMMITTEE REPORT

The Audit Committee assists the Board in fulfilling its oversight responsibility relating to the Company's financial statements and the financial reporting process, the system of internal accounting and financial controls, the internal audit function, and the annual independent audit of the Company's financial statements. However, management has the primary responsibility for the financial statements and the reporting process, including the system of internal control. The Company's independent registered public accounting firm, KPMG, has the primary responsibility to independently audit the Company's financial statements and its internal controls in accordance with the auditing standards of the Public Company Accounting Oversight Board. The duties of the Audit Committee include, but are not limited to:

appointing and reviewing the performance of the Company's independent registered public accounting firm;

assessing the scope and structure of the Company's internal audit function;

reviewing the scope of audits to be conducted, as well as the results thereof;

pre-approving audit and non-audit services provided to the Company by the independent registered public accounting firm;  
and

review with management and the registered public accountants the Company's quarterly financial filings prior to the filing of its Form 10-Q and the Company's Annual Report on Form 10-K.

In accordance with SEC regulations, the Audit Committee has approved an Audit Committee Charter, describing the responsibilities of the Audit Committee, (see <http://www.ethanallen.com/audit-committee.html>). The Board of Directors has concluded that each member of the Audit Committee is independent within the meaning of the listing standards of the NYSE. See "Corporate Governance" beginning on page 8. The Board of Directors has determined that all Audit Committee members, as required by SEC regulations and NYSE rules, are financially literate with accounting or related finance management expertise, as interpreted by the Board of Directors. The Board of Directors has determined that each member of the Audit Committee is an "audit committee financial expert" as defined under Item 407(d)(5)(ii) of SEC Regulation S-K and as contemplated by Rule 10A-3 of the Exchange Act.

## Edgar Filing: ETHAN ALLEN INTERIORS INC - Form DEF 14A

In fulfilling its oversight responsibilities, the Audit Committee reviewed, with management and KPMG, the audited financial statements contained within the Annual Report on Form 10-K, including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures contained in those financial statements. In addition, in compliance with the Sarbanes-Oxley Act of 2002 ("SOX"), the Audit Committee reviewed with management and KPMG, the Company's independent registered public accounting firm, the effectiveness of the Company's system of internal control over financial reporting as of June 30, 2013.

The Audit Committee reviewed with KPMG, who is responsible for expressing an opinion on the conformity of those audited financial statements with U.S. generally accepted accounting principles, their judgment(s) as to the quality, not just the acceptability, of the Company's accounting principles. The Audit Committee also reviewed such other matters as are required to be discussed under auditing standards of the Public Company Accounting Oversight Board (United States), including Auditing Standards No. 16. In addition, the Audit Committee has received with KPMG the written disclosures required by Independence Standards Board Standard No. 1 and has discussed with KPMG the auditors' independence from management and the Company.

The Audit Committee discussed with the Company's internal auditors and KPMG the overall scope and plans for their respective audits. The Audit Committee met independently with the internal auditors and KPMG, with and without management present, to discuss the results of their examinations, their evaluations of the Company's system of internal control and the overall quality of the Company's financial reporting practices. The Audit Committee held six (6) meetings during fiscal year 2013, which included, but were not limited to, the review of the quarterly Form 10-Q filings and annual Form 10-K filing.

In reliance on the reviews and discussions referred to above, the Audit Committee approved the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended June 30, 2013 for filing with the SEC.

CLINTON A. CLARK, CHAIR  
JAMES B. CARLSON  
KRISTIN GAMBLE  
JAMES W. SCHMOTTER  
DON M. WILSON, III

### COMPENSATION COMMITTEE

The Compensation Committee oversees our compensation program for Named Executive Officers on behalf of the Board of Directors. In fulfilling its oversight responsibilities, the Compensation Committee reviews and discusses with management the Compensation Discussion and Analysis set forth below and recommends to the Board that the CD&A be included in the proxy statements, which are filed with the SEC. For further discussion on the activities of the Compensation Committee see "Compensation Discussion and Analysis" beginning on page 18.

#### Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our executive officers and directors, owners of over 10% of our Common Stock, and some persons who formerly were directors or executive officers, to file reports of ownership and changes in ownership with the SEC and the NYSE and furnish us with a copy of each report filed. Based solely on our review of copies of the reports by some of those persons and written representations from others that all reports were filed or that no reports were required, we believe that during fiscal year 2013 all Section 16(a) filing requirements were complied with in a timely fashion except a filing by Vincent Nigro on August 3, 2012 for a transaction that occurred on July 31, 2012.

**Security Ownership of Common Stock of Certain Owners and Management**

The following table sets forth, as of October 11, 2013, except as otherwise noted, information with respect to beneficial ownership of the Common Stock in respect of: (i) each director and Named Executive Officer (as defined herein) of the Company; (ii) all directors and Named Executive Officers of the Company as a group; and (iii) based on information available to the Company and a review of statements filed with the SEC pursuant to Section 13(d) and/or 13(g) of the Exchange Act, each person or entity that beneficially owned (directly or together with affiliates) more than 5% of the Common Stock. The Company believes that each individual or entity named has sole investment and voting power with respect to shares of Common Stock indicated as beneficially owned by them, except as otherwise noted. Unless otherwise noted below, the address for each listed director and Named Executive Officer is Ethan Allen Interiors Inc., Ethan Allen Drive, Danbury, CT 06810.

Name and Address of Beneficial Owner	Shares Beneficially Owned(1)	Common Stock Percentage Ownership(1)
<b>Directors and Executive Officers:</b>		
M. Farooq Kathwari(2)	3,546,065	11.9%
Kristin Gamble(3)	35,615	*
Corey Whitely(4)	29,922	*
Frank G. Wisner(5)	16,715	*
Don M. Wilson, III(6)	12,615	*
Clinton A. Clark(7)	11,500	*
Tracy Paccione(8)	10,518	*
Daniel M. Grow(9)	5,355	