ETHAN ALLEN INTERIORS INC
Form DEF 14A
October 17, 2008

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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 ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to §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):

ý No fee required.

o 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):

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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 17, 2008

Dear Stockholder:

You are cordially invited to attend the 2008 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 2:00 P.M., local time, on Tuesday, November 11, 2008.

You will find information about the meeting in the enclosed Notice and 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 by returning the enclosed proxy card, by registering your vote using the Internet or by telephone. If you attend, you will, of course, be entitled to vote in person.

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 2008 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 Tuesday, November 11, 2008 at 2:00 P.M., local time, for the purpose of considering and acting upon the following:

1. **The election of directors;**

2. **Ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the 2009 fiscal year; and**

3. **Such other business as may properly come before the meeting.**

The Board of Directors has fixed September 17, 2008 as the record date for determining stockholders entitled to notice of, and to vote at, the meeting. We are mailing this notice and the accompanying proxy statement on or about October 17, 2008. We are also enclosing a copy of our fiscal year 2008 annual report. Whether you plan to attend the meeting in person or not, stockholders are requested to mark, sign, date and return the enclosed proxy card. An envelope is provided requiring no postage for mailing in the United States. You may also vote by telephone or on the Internet (for information and instructions, please see the enclosed proxy card). Your prompt response is appreciated.

By Order of the Board of Directors,
Pamela A. Banks
Secretary

October 17, 2008
Ethan Allen Interiors Inc.
Ethan Allen Drive
Danbury, Connecticut 06811

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be held on November 11, 2008 the proxy statement along with the annual report is available at http://materials.proxyvote.com/297602

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. Ethan Allen Interiors Inc.'s board of directors is soliciting the proxy card enclosed.

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

A: At the Annual Meeting, stockholders will elect two directors, each for a three-year term expiring in 2011. The board's nominees are: M. Farooq Kathwari and John P. Birkelund (See page 4). Stockholders will also vote on ratifying our appointment of KPMG LLP as our independent registered public accounting firm for fiscal year 2009. 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 enclosed proxy will have authority to vote on it as they see fit.

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

A: Only record holders of our common shares of stock at the close of business on the record date for the meeting, September 17, 2008, are entitled to vote at the annual meeting. Each common share has one vote.

Q: **How do I vote?**

A: Sign and date each proxy card that you receive and return it in the enclosed envelope. Proxies will be voted as you specify on each card. If you sign and return a proxy card without specifying how to vote, your shares will be voted FOR the election of the director nominees identified in this proxy statement; and FOR ratification of our appointment of KPMG LLP as our independent registered public accounting firm for fiscal year 2009. Your shares also will be voted on any other business that comes before the meeting.

Q: **Can I vote by telephone or on the Internet?**

A: Yes. If you hold your shares in your own name, you may vote by telephone or on the Internet by following the instructions set forth in the attached proxy card. If your shares are held through a broker, bank, or other nominee, they will contact you to request your voting instructions and should provide you with information on voting those shares by telephone or on the Internet.

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 Secretary, at the address set forth at the top of this page, 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 telephone or on the Internet to ensure that all your shares are voted.

Q:

Why did our household receive only one proxy statement and annual report this year?

A:

If there are two or more stockholders sharing the same address and you did not withhold your consent to "householding," we are only sending your household a single copy of our annual report and proxy statement unless we have received contrary instructions from one or more of the stockholders at your address. We believe this householding program will provide you greater convenience and save us the cost of mailing duplicate documents to your home. We will promptly provide additional copies of our fiscal year 2008 annual report or this proxy statement to the other stockholders in your household if you send a written request to: Office of the Secretary, Ethan Allen Interiors Inc., Ethan Allen Drive, Danbury, Connecticut 06811, or you may call us at 203-743-8496 to request additional copies. Copies of the annual report, proxy statement and other reports we file with the SEC are also available on our website at *www.ethanallen.com/investors* or through the SEC's website at *www.sec.gov*.

You may revoke your consent to householding at any time by contacting Broadridge Financial Solutions, Inc., either by calling toll-free 800-542-1061, or by writing to Broadridge Financial Solutions, Inc., Householding Department, 51 Mercedes Way, Edgewood, New York 11717. If you revoke your consent, you will be removed from the householding program within 30 days of receipt of your revocation, and each stockholder at your address will then begin receiving individual copies of our disclosure documents. Similarly, if you share an address with another stockholder and have received multiple copies of our proxy materials, you may contact Broadridge Financial Solutions, Inc. to request delivery of a single copy of these materials in the future.

PROXY STATEMENT

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 2008 Annual Meeting of stockholders (the "Annual Meeting") of the Company to be held on Tuesday, November 11, 2008 at the Ethan Allen International Corporate Headquarters, Ethan Allen Drive, Danbury, Connecticut 06811 at 2:00 P.M., local time, or any adjournment thereof. The Proxy Statement and accompanying form of proxy are first being mailed to stockholders on or about October 17, 2008.

VOTING SECURITIES; PROXIES; REQUIRED VOTE

Voting Securities

The Board of Directors has fixed the close of business on September 17, 2008 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 28,709,009 shares of common stock, par value $.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.

Proxies

Kristin Gamble and Frank G. Wisner, the persons named as proxies on the proxy card accompanying this Proxy Statement, were selected by the Board of Directors of the Company to serve in such capacity. Each properly executed and returned proxy card will be voted 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 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.

Required Vote

The holders of at least one-third of the outstanding shares of Common Stock represented in person or by proxy will constitute a quorum at the Annual Meeting. 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 (i) to elect directors; and (ii) to ratify the appointment of KPMG LLP as the independent registered public accounting firm of the Company.

The election inspectors appointed for the 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.

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 I, which is composed of three directors, expires as of the Annual Meeting. On July 22, 2008, Horace McDonell, who is currently a Class I director, announced his retirement from the Board of Directors as of the end of his term. Mr. McDonell has served on the Board of Directors since 1991. We thank him for his commitment and for his guidance and direction over the years.

The Nominations/Corporate Governance Committee has determined that the skill and experience of the remaining members is sufficient at the present time to carry out the work of the Board. As a result, only two persons, Mr. Kathwari and Mr. Birkelund, have been nominated for election as Class I directors at the Annual Meeting (although the Class was previously composed of three directors). Since only two nominees are named, the accompanying proxies cannot be voted for the election of more than two persons at the Annual Meeting.

M. Farooq Kathwari and John P. Birkelund are nominated for election at the Annual Meeting, each to serve as a director for a three-year term. If for any reason Mr. Kathwari or Mr. Birkelund becomes unable or unwilling to serve at the time of the Annual Meeting, the persons named as proxies in the enclosed proxy card will have discretionary authority to vote for a substitute nominee(s). It is not anticipated that Mr. Kathwari or Mr. Birkelund will be unavailable for election.

The following sets forth information as to Mr. Kathwari and Mr. Birkelund and each director continuing in office, including his or her age, present principal occupation, 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.

Nominees for Election at this Annual Meeting to a Term Expiring in 2011

M. Farooq Kathwari, 64, 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 several not-for-profit organizations, including: Chairman of Refugees International, Director of National Retail Federation, Director of International Rescue Committee, and a Director of the Institute for the Study of Diplomacy at Georgetown University. He has received several recognitions, including the 2007 "Outstanding American by Choice" award from the United States Government, 2005 Eleanor Roosevelt Val-Kill Medal, "National Human Relations Awards" by the American Jewish Committee, *Worth Magazine* Recognition as one of 50 Best CEO's in USA, the National Retail Federation Gold Medal, recipient of the International First Freedom Award from the Council for America's First Freedom, and Ernst & Young's Entrepreneur of the Year Award.

John Birkelund, 78, was elected as a director of the Company on November 13, 2007. Mr. Birkelund co-founded Saratoga Partners in 1984 and serves as its Managing Director as well as a member of the Saratoga Partners Investment Committee. He joined Dillon Read & Co., Inc. in 1981. Mr. Birkelund served successfully as President, Chief Executive and Chairman from 1981 to 1997 when the firm was sold to Swiss Bank. Prior to joining Dillon Read, Mr. Birkelund co-founded New Court Securities in 1967 (now Rothschild, Inc.) and served as its Chairman and Chief Executive Officer and as a non-executive director of N.M. Rothschild & Sons. Mr. Birkelund is a past director of the New York Stock Exchange and the Securities Industry Association and, in recent years, served on the corporate boards of N.M. Rothschild & Co., Barings Brothers, C.R. Bard, Copperweld Corporation, Darden Restaurants, NacRe

Corporation, Lenox, Inc., and the advisory boards of the European Bank for Reconstruction & Development and ORIX USA Corporation. He is a member of the Nominations/Corporate Governance Committee.

Directors Whose Present Terms Will Continue Until 2009

Richard A. Sandberg, 66, was elected as a director of the Company on November 17, 2003. He is Chairman of the Board and Chief Financial Officer of Oxford Immunotec, Ltd., a privately owned developer and manufacturer of T-cell diagnostic test products. Prior to his current position, Mr. Sandberg was Chief Financial Officer of Matritech, Inc., a publicly traded manufacturer of cancer diagnostic products, from 2002 to 2007 and held financial and operating positions at Dianon Systems, Inc., a company he founded in 1983, including Chief Executive Officer and Chief Financial Officer, and at private healthcare companies engaged in DNA testing and pharmaceutical development. From January 2004 to July 2007 he also served as Chief Financial Officer of Battery Asset Management, LLC, a firm engaged in foreign currency transactions. Since 2005 Mr. Sandberg has been a member of the Board of Directors of North American Scientific, Inc., a publicly traded radiation-based technology company focused on the diagnosis and treatment of cancer. He is a member of the Audit Committee.

Frank G. Wisner, 70, was elected as a director of the Company on July 23, 2001. He is 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, Inc. 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. He is Chairman of the Nominations/Corporate Governance Committee.

Directors Whose Present Terms Will Continue Until 2010

Clinton A. Clark, 66, was elected as a director of the Company on June 30, 1989. He is the President and sole stockholder of CAC Investments, Inc. ("CAC") a private investment company he founded in January 1986. 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 is also an investor and director of several private companies. He is Chairman of the Compensation Committee and has assumed the role of Chairman of the Audit Committee with the retirement of Mr. McDonell.

Kristin Gamble, 63, 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. She is a member of the Compensation Committee, the Nominations/Corporate Governance Committee, and the Audit Committee.

Edward H. Meyer, 81, was elected as a director of the Company on May 30, 1991. He is Chairman of the Board and Chief Executive Officer of Ocean Road Advisors, Inc. ("Ocean Road") an investment management company he founded in 2006. He was the former Chairman of the Board, and Chief

Executive Officer of Grey Global Group Inc. ("Grey Global"). Mr. Meyer joined Grey Global in 1956 and in 1964 was appointed Executive Vice President for Account Services. He was thereafter elected President in 1968 and Chief Executive Officer and Chairman in 1970. Mr. Meyer is a director of a number of outside business and financial organizations, including Harman International Industries, Inc., National Cinemedia, NRDC Acquisition Corp., and AllConnect, Inc. He is a member of the Compensation Committee.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE ELECTION OF THE NOMINEES FOR DIRECTOR NAMED ABOVE, WHICH IS DESIGNATED AS PROPOSAL NO. 1 ON THE ENCLOSED PROXY CARD.

CORPORATE GOVERNANCE

The Board of Directors has determined that each of the following directors or director nominees comprising the seven non-management directors meet the criteria for "independent" directors as defined in Section 303A.02 of the New York Stock Exchange Listed Company Manual (the "NYSE Listed Company Manual"): John P. Birkelund, Clinton A. Clark, Kristin Gamble, Horace G. McDonell, Edward H. Meyer, Richard A. Sandberg and Frank G. Wisner.

Stockholder Communication with Directors

Stockholders or interested parties may communicate with the full board, 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 to review and promptly forward all correspondence (except advertising material and ordinary business matters) to the full board, 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 Ethan Allen 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 (the "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. Related persons include directors, director nominees, executive officers, 5% beneficial owners and members of their immediate families.

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 Meeting; comprised of key management of 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 shareholders. The Company did not have any of these transactions during fiscal year 2008.

Compensation Committee Interlocks and Insider Participation

No executive officer of the Company, or any of its subsidiaries, served as a director of or on the Compensation Committee (or equivalent) of another entity except as otherwise disclosed herein.

Charters, Code and Guidelines

The Company's Code of Business Conduct and Ethics, 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*. Any waiver of the Company's Code of Business Conduct and Ethics for directors or 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.

Meetings and Committees of the Board of Directors

During fiscal year 2008, there were four (4) regularly scheduled meetings of the Board of Directors, one (1) special meeting of the Board of Directors, and the annual meeting of stockholders. Non-employee directors ordinarily meet in executive session without management present immediately after regularly scheduled board meetings. These sessions are chaired by a non-employee director, which chair is rotated annually. Edward H. Meyer currently chairs the independent director meetings. All directors are expected to attend all board meetings, independent director meetings, stockholder meetings and committee meetings, as appropriate. The Board of Directors realizes that conflicts may arise from time to time but expects that each director will make every effort to keep such conflicts to a minimum. All directors who then held office attended the November 13, 2007 annual meeting of stockholders. In fiscal year 2008, except as otherwise set forth hereinafter, there was 96% attendance at all board meetings and committee meetings.

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:

Audit Committee:

Clinton A. Clark (Chairman as of August 22, 2008)
Horace G. McDonell (Chairman November 13, 2007 August 22, 2008)
Richard A. Sandberg
Kristin Gamble (as of July 22, 2008)

Nominations/Corporate Governance Committee:

Frank G. Wisner (Chairman)
Kristin Gamble
John B. Birkelund

Compensation Committee:

Clinton A. Clark (Chairman)
Kristin Gamble
Edward H. Meyer

AUDIT COMMITTEE

The Audit Committee is principally responsible for ensuring the accuracy and effectiveness of the annual audit of the financial statements as conducted by the Company's internal auditors and independent registered public accounting firm. The duties of the Committee include, but are not limited to: (i) appointing and supervising the Company's independent registered public accounting firm; (ii) assessing the organization and scope of the Company's internal audit function; (iii) reviewing the scope of audits to be conducted, as well as the results thereof; (iv) approving audit and non-audit services provided to the Company by the independent registered public accounting firm; and (v) overseeing the Company's financial reporting activities, including the Company's system of internal control and the accounting standards and principles applied.

In accordance with SEC regulations, the Audit Committee has approved an Audit Committee Charter, describing the responsibilities of the Audit Committee, a copy of which can be found on the Company's website at *www.ethanallen.com/governance*. Each member of the Audit Committee is "independent," as defined in Sections 303A.02 and 303A.07(b) of the NYSE Listed Company Manual and is an "audit committee financial expert" as defined under Item 407 (d) (5)(ii) of Regulation S-K of the Securities Exchange Act of 1934.

Report of the Audit Committee of the Board of Directors

The Audit Committee oversees the Company's financial reporting process, including the Company's system of internal control, on behalf of the Board of Directors. However, management has the primary responsibility for the financial statements and the reporting process, including the system of internal control. In fulfilling its oversight responsibilities, the Audit Committee reviewed, with management, 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 LLP, the Company's independent registered public accounting firm ("KPMG"), the effectiveness of the Company's internal control over financial reporting as of June 30, 2008.

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 Statement on Auditing Standards No. 61. In addition, the Audit Committee has received from 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 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 eight (8) meetings during fiscal year 2008, 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 recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended June 30, 2008 for filing with the SEC.

CLINTON A. CLARK, CHAIRMAN
HORACE MCDONELL
RICHARD A. SANDBERG
KRISTIN GAMBLE

NOMINATIONS/CORPORATE GOVERNANCE COMMITTEE

The duties of the Nominations/Corporate Governance Committee include, but are not limited to, the duty to: (i) develop qualification criteria for board members and nominate or recommend to the Board of Directors individuals to serve on the Board of Directors; (ii) review and monitor the Company's corporate governance policies and guidelines, including the Company's trading policy for its directors and executive officers; and (iii) make an annual assessment of the Board's performance and report to the Board of Directors. The Nominations/Corporate Governance Committee follows the procedure concerning nominations or consideration of director candidates recommended by stockholders set forth in the Company's Amended and Restated By-Laws ("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 29 herein, for information on how to submit a proposal or nominate a director.) The Nominations/Corporate Governance Committee believes that as a result of the provisions in the By-Laws, any separate policy relating to stockholder proposals or nominations by the Nominations/Corporate Governance Committee would be duplicative. Each member of the Nominations/Corporate Governance Committee is "independent" as defined in Section 303A.02 of the NYSE Listed Company Manual. The Nominations/Corporate Governance Committee held three (3) meetings during fiscal year 2008.

The Nominations/Corporate Governance Committee seeks candidates who demonstrate a willingness and ability to prepare for, attend and participate in all board and committee meetings and whose experience and skill would complement the then existing mix of directors. The Nominations/Corporate Governance 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/Corporate Governance 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/Corporate Governance Committee determines that a relatively near term need exists and the Nominations/Corporate Governance Committee believes that an individual's qualities and skills would complement the then existing mix of directors, the Nominations/Corporate Governance Committee or its Chairman will contact the individual. The Chairman will, after such contact, discuss the individual with the Nominations/Corporate Governance Committee. Based on the Nominations/Corporate Governance Committee's evaluation of potential nominees and the Company's needs, the Nominations/Corporate Governance Committee determines whether to nominate the individual for election as a director. While the Nominations/Corporate Governance Committee has not, in the past, engaged any third party firm or consultant to identify or evaluate nominees, the Nominations/Corporate Governance Committee, in accordance with its charter, may do so in the future. There are no differences in the manner in which the Nominations/Corporate Governance Committee evaluates nominees for director recommended by a stockholder.

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, executive officers, or over 10% owners, to file reports of ownership and changes in ownership with the Securities and Exchange Commission and the New York Stock Exchange 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 no reports were required, we believe that during fiscal year 2008 all Section 16(a) filing requirements were complied with in a timely fashion, except as follows: (i) the initial filing on Form 3 and one filing on Form 4 for John P. Birkelund, independent director, were made late, and (ii) the initial filing on Form 3 and one filing on Form 4 for David R. Callen, Vice President, Finance & Treasurer, were made late. The foregoing filings were made late due to technical issues in obtaining required filing codes from the SEC for Messrs. Birkelund and Callen. One filing on Form 4 for Henry C. Kapteina, Director of Internal Audit, was made late.

Security Ownership of Common Stock of Certain Owners and Management

The following table sets forth, as of September 17, 2008, 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 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 Securities Exchange Act of 1934, as amended (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.

Name and Address of Beneficial Owner	Shares Beneficially Owned(1)	Common Stock Percentage Ownership(1)
Directors and Executive Officers:		
M. Farooq Kathwari(2)	4,068,625	13.58%
Edward H. Meyer(3)	82,440	*
Horace G. McDonell(4)	57,244	*
Kristin Gamble(5)	32,500	*
Clinton A. Clark(6)	26,698	*
Frank G. Wisner(7)	19,100	*
John P. Birkelund(8)	12,500	*
Corey Whitely(9)	12,047	*
Richard A. Sandberg(10)	11,500	*
Nora Murphy(11)	8,625	*
Lynda W. Stout(12)	1,350	*
David R. Callen(13)	1,000	*
All executive officers and directors as a group(2)(3)(4)(5)(6)(7)(8)(9)(10)(11)(12)(13)	4,333,629	14.40%
Other Principal Stockholders:		
Royce & Associates, LLC(14)	3,777,595	13.16%
FMR Corp.(15)	3,260,697	11.36%
Artisan Partners LP(16)	2,638,300	9.19%
AMVESCAP PLC(17)	2,611,043	9.09%
State Street Bank and Trust Company(18)	2,077,499	7.24%
NFJ Investment Group L.P.(19)	1,804,100	6.28%
Van Den Berg Management(20)	1,567,515	5.46%

*
Indicates beneficial ownership of less than 1% of shares of Common Stock.

(1)
Information presented herein reflects beneficial share ownership and includes stock-based compensation awards and outstanding options granted under the 1992 Stock Option Plan ("Option Plan") (the "Stock Options") which, as of September 17, 2008, are currently exercisable or will become exercisable within sixty (60) days.

(2)
Includes (a) 2,104,046 shares owned directly by Mr. Kathwari, (b) 653,550 shares owned indirectly by Mr. Kathwari, (c) 55,000 shares of restricted Common Stock, (d) options to purchase 1,250,050 shares

of Common Stock, and (e) 5,979 shares held indirectly by Mr. Kathwari in the Ethan Allen Retirement Savings Plan. The address of Mr. Kathwari is Ethan Allen Drive, Danbury, CT 06811.

(3)

Includes (a) 3,080 shares owned directly by Mr. Meyer, (b) 58,360 shares held indirectly by Mr. Meyer, and (c) options to purchase 21,000 shares of Common Stock. The address of Mr. Meyer is Ethan Allen Drive, Danbury, CT 06811.

(4)

Includes (a) 35,244 shares owned directly by Mr. McDonell, (b) 1,000 shares of restricted Common Stock, and (c) options to purchase 21,000 shares of Common Stock. The address of Mr. McDonell is Ethan Allen Drive, Danbury, CT 06811.

(5)

Includes (a) 10,000 shares owned directly by Ms. Gamble, and (b) options to purchase 22,500 shares of Common Stock. The address of Ms. Gamble is Ethan Allen Drive, Danbury, CT 06811.

(6)

Includes (a) 13,198 shares owned directly by Mr. Clark, and (b) options to purchase 13,500 shares of Common Stock. The address of Mr. Clark is Ethan Allen Drive, Danbury, CT 06811.

(7)

Includes (a) 100 shares owned directly by Mr. Wisner, (b) 2,000 shares of restricted Common Stock, and (c) options to purchase 17,000 shares of Common Stock. The address of Mr. Wisner is Ethan Allen Drive, Danbury, CT 06811.

(8)

Includes (a) 10,000 shares owned directly by Mr. Birkelund, (b) 1,000 shares of restricted Common Stock, and (c) options to purchase 1,500 shares of Common Stock. The address of Mr. Birkelund is Ethan Allen Drive, Danbury, CT 06811.

(9)

Includes (a) 622 shares of Common Stock held indirectly by Mr. Whitely in the Ethan Allen Retirement Savings Plan, and (b) options to purchase 11,425 shares of Common Stock. The address of Mr. Whitely is Ethan Allen Drive, Danbury, CT 06811.

(10)

Includes (a) 500 shares owned directly by Mr. Sandberg, (b) 2,000 shares of restricted Common Stock, and (c) options to purchase 9,000 shares of Common Stock. The address of Mr. Sandberg is Ethan Allen Drive, Danbury, CT 06811.

(11)

Represents options to purchase 8,625 shares of Common Stock held by Ms. Murphy. The address of Ms. Murphy is Ethan Allen Drive, Danbury, CT 06811.

(12)

Represents options to purchase 1,350 shares of Common Stock by Ms. Stout. The address of Ms. Stout is Ethan Allen Drive, Danbury, CT 06811.

(13)

Represents 1,000 shares of Common Stock owned directly by Mr. Callen. The address of Mr. Callen is Ethan Allen Drive, Danbury, CT 06811.

(14)

Royce & Associates, LLC ("Royce"), an investment advisor registered under Section 203 of the Investment Advisors Act of 1940, beneficially owned 3,777,595 shares of Common Stock as per their Schedule 13G filing with the SEC on January 28, 2008. The address of Royce is 1414 Avenue of the Americas, New York, New York 10019.

(15)

FMR LLC ("FMR"), a parent holding company of certain institutional investment managers registered under the Exchange Act and certain other entities, beneficially owned 3,260,697 shares of Common Stock as per their Schedule 13G filing with the SEC on February 14, 2008. FMR's filing indicates that it held sole voting power with respect to 278,500 of such shares and sole investment power with respect to all of such shares. The address of FMR is 82 Devonshire Street, Boston, MA 02109.

(16)

In a joint filing made with the SEC on Schedule 13G on February 13, 2008, Artisan Partners LP ("Artisan"), Artisan Investment Corporation ("AIC"), ZFIC Inc. ("ZFIC"), Andrew A. Ziegler and Carlene Ziegler, disclosed that they shared voting power with respect to 2,357,700 of such shares and shared investment power with respect to 2,638,300 of such shares. According to the filing, Artisan is an

investment advisor registered under Section 203 of the Investment Advisors Act of 1940, AIC is the general partner of Artisan, ZFIC is the sole stockholder of AIC and Mr. Ziegler and Ms. Ziegler are the principal stockholders of ZFIC. According to the filing the address of all of the foregoing is 875 East Wisconsin Avenue, Suite 800, Milwaukee, WI 53202.

(17)

AMVESCAP PLC ("AMVESCAP"), a U.K. entity and an investment advisor registered under Section 203 of the Investment Advisors Act, and a holding company, beneficially owned 2,611,043 shares of Common Stock per their Schedule 13G filing with the SEC on February 13, 2006. The address of AMVESCAP is 30 Finsbury Square, London EC2A 1AG England.

(18)

State Street Bank and Trust Company ("State Street"), a bank as defined in Section 3(A)(6) of the Exchange Act, beneficially owned 2,077,499 shares of Common Stock as per their Schedule 13G filing with the SEC on May 5, 2008. The address of State Street is One Lincoln Street, Boston, MA 02111.

(19)

NFJ Investment Group L.P. ("NFJ"), an investment advisor registered under Section 203 of the Investment Advisors Act, beneficially owned 1,804,100 shares of Common Stock as per their Schedule 13G filing with the SEC on April 16, 2008. NFJ's filing indicates that it held sole voting power with respect to 1,781,000 of such shares and sole investment power with respect to all of such shares. The address of NFJ is 2100 Ross Avenue, Suite 700, Dallas, TX 75201.

(20)

Van Den Berg Management ("VDBM"), an institutional investment manager registered under the Exchange Act, beneficially owned 1,567,515 shares of Common Stock as per their Schedule 13G filing with the SEC on January 15, 2008. VDBM's filing indicates that it held sole voting and investment power with respect to 12,175 of such shares and shared voting and investment power with respect to 1,555,340 of such shares. The address of Van Den Berg Management is 805 Las Cimas Parkway, Suite 430, Austin, TX 78746.

COMPENSATION COMMITTEE

Compensation Discussion and Analysis

The purpose of this Compensation Discussion and Analysis is to provide material information about the Company's compensation objectives and policies for its Named Executive Officers and to put into perspective the tabular disclosures and related narratives.

Compensation Philosophy and Objectives

The Company's executive compensation philosophy is focused on attracting, retaining and motivating a qualified management team and aligning their interests with the long-term interests of stockholders. This is accomplished by creating compensation packages which are competitive within the industries in which the Company operates, fair and equitable among the executives and which provide incentives for the long-term success and performance of the Company. Compensation is allocated among base salary, annual discretionary cash incentive compensation and long-term equity incentives. Incentive compensation is discretionary and designed to reward achievement within areas under the control of the relevant employee, although Company-wide performance is also a significant factor. The Principal Executive Officer exercises discretion in assessing an executive's, other than his own, personal performance and the extent, if any, of incentive compensation. We consider the cost to the Company when we make decisions on and consider compensation packages. As the level of responsibility increases, the portion of an executive's compensation tied to the Company's and the executive's personal performance will be proportionately greater. Finally, we endeavor to ensure that the Company's compensation program is perceived as fundamentally fair to all stakeholders.

The duties of the Compensation Committee include, but are not limited to: (i) reviewing and making determinations with regard to the employment arrangements and compensation for the Principal Executive Officer, President and Principal Financial Officer or Treasurer; and (ii) considering and either accepting, modifying or rejecting the Principal Executive Officer's recommendations as to incentive compensation for other executives. No member of the Compensation Committee was an officer or employee of the Company or any of its subsidiaries during fiscal year 2008. The Compensation Committee, in accordance with its charter, may engage any third party firm or consultant in fulfilling its responsibilities. The Compensation Committee held four (4) meetings during fiscal year 2008.

General Policies Regarding Compensation of Named Executive Officers

The Compensation Committee's goal is to establish compensation levels and administer executive compensation plans which serve to: (1) attract and retain high quality managerial and executive talent; (2) reward executives for superior performance; and (3) structure appropriate incentives for executives to produce sustained superior performance in the future. Generally, in assessing the compensation arrangements for Named Executive Officers, other than the Principal Executive Officer, the Compensation Committee solicits recommendations from the Principal Executive Officer relating to discretionary annual cash incentive compensation and long-term equity incentives such as stock option grants, which it considers, and either accepts, modifies or rejects.

Overview of Process and Compensation Components

The compensation for our executives, including our President and Principal Executive Officer, is comprised of three primary elements: base salary, annual cash incentive compensation and long-term equity incentives. We also provide or have provided perquisites, a retirement savings plan and, for select executives, employment and post-employment agreements. The Company does not maintain a stock ownership policy.

During fiscal year 2008, the Compensation Committee maintained an incentive bonus program (See "Incentive Bonus" under Executive Compensation on page 19) with terms consistent with recommendations made by the President and Principal Executive Officer.

The President and Principal Executive Officer makes recommendations to the Compensation Committee with respect to selected other executives. The other executives are not present at the time of deliberations, although the President and Principal Executive Officer is present. The Compensation Committee may accept or adjust such recommendations. In fiscal year 2008 the Principal Executive Officer presented his recommendations as to incentive compensation for other executives, including base salary, discretionary annual cash, and long term equity incentives. The Principal Executive Officer along with the Compensation Committee will conduct, as needed, an informal review of market data, with the assistance of the Company's Human Resource Department which periodically performs benchmarking studies. After the review and discussions with the Principal Executive Officer, the Compensation Committee accepted the Principal Executive Officer's recommendations for fiscal year 2008.

The Compensation Committee reviews, annually, the performance and compensation of the President and Principal Executive Officer. The Company had entered into an employment agreement with Mr. Kathwari, effective July 1, 2002, which provided for a term of five years with two one-year extensions unless either party elected to terminate at the end of the initial term or the first extension. The original five-year term of this agreement expired on June 30, 2007 and the first one-year extension had commenced on July 1, 2007. In view of Mr. Kathwari's substantial contributions to the success of the Company, the Compensation Committee believed it would be appropriate and in the best interests of the Company to seek to negotiate a new employment agreement with Mr. Kathwari to assure the continued availability of his services to the Company.

When developing an employment agreement for the President and Principal Executive Officer we engage the services of an independent third party consultant to assist in gathering relevant market information which we analyze and consider in developing the compensation package to be included in the employment agreement. We also receive input from legal counsel, as appropriate.

To assist in developing the terms of the new employment agreement for Mr. Kathwari, the Compensation Committee engaged Sibson Consulting. Members of the Compensation Committee met with representatives of the consultant over a period of nine months. Key considerations for the Compensation Committee in developing the compensation package to be included in the new employment agreement were (i) identification of a peer group, which included both known competitors of the Company and companies adhering to similar retail models, (ii) ensuring that the overall level of compensation was competitive and appropriate with the market, (iii) ensuring that a substantial portion of the total compensation package was tied to long-term incentives, and (iv) creation of parameters that provide for increased compensation based upon performance of the Company. The companies that Sibson Consulting reviewed included, but were not limited to Bombay Company, Inc., Haverty Furniture Companies, Inc., Pier I Imports, Inc., Restoration Hardware, Inc. and Williams Sonoma. Sibson Consulting analyzed data contained in proxy filings of the peer group. In addition, they analyzed published compensation data for a broader group of retail and similarly sized companies.

The Compensation Committee and Mr. Kathwari agreed to include a substantial incentive component in his new employment agreement. As a result, a large part of Mr. Kathwari's potential compensation under the new employment agreement is in the form of stock options, restricted stock awards, and a bonus based upon the Company's operating income.

Effective October 10, 2007, the Compensation Committee approved and the independent members of the Company's Board of Directors ratified, subject to approval by stockholders of the incentive components thereof (which approval was obtained at the 2007 Annual Meeting of stockholders held on November 13, 2007), the terms of a new employment agreement with Mr. Kathwari ("Employment Agreement"). The Compensation Committee believes that the compensation package for Mr. Kathwari included in the Employment Agreement is appropriate in light of Mr. Kathwari's substantial contributions to the Company's success, including his extensive experience in the home furnishings industry, his knowledge and background with respect to both manufacturing and retailing and, in particular, his responsibility for implementation of the strategic plan for the Company and the Ethan Allen brand. For a detailed description of the terms of the Employment Agreement, which governed Mr. Kathwari's compensation for the 2008 fiscal year, see "Executive Compensation Employment Agreement," beginning on page 23.

Whether a stock option grant will be made to a Named Executive Officer, and if so in what amount, is based upon: (i) the subjective evaluation, by the President and Principal Executive Officer of the Named Executive Officer's potential contribution to the Company's future success; (ii) the level of incentive already provided by the number and term of the Named Executive Officer's existing stock option holdings; and (iii) the market price of the Common Stock. Annually we allocate to the President and Principal Executive Officer a block of options to be granted throughout the fiscal year to recruit executives and reward employees including the Named Executive Officers other than himself. In fiscal year 2008, we allocated 75,000 options to the President and Principal Executive Officer. The President and Principal Executive Officer granted 19,600 of such options in fiscal year 2008. Options are granted to directly align the interest of employees, including the Named Executive Officers, to the appreciation on the Common Stock. Options typically vest twenty-five (25%) percent per year beginning one year after the grant date, with full vesting over a four (4) year period. The term of such options is ten (10) years, after which the options expire, unless the employee separates earlier from the Company, at which point the options expire 90 days after such separation. The exercise price is established as of the date of grant.

In determining the size of individual option grants, stock unit awards and restricted stock awards, the Compensation Committee considers the aggregate number of shares available, which is, in turn, a function of: (i) the level of stockholders' dilution; (ii) the number of shares previously authorized by stockholders and remaining available; and (iii) the number of individuals to whom the Company wishes to grant stock options, stock unit awards and/or restricted stock awards. The Compensation Committee also considers the range of potential compensation levels that may be yielded by the options or awards. The Compensation Committee reserves the discretion to consider any factors it considers relevant, and to give all factors considered the relative weight it considers appropriate under the circumstances then prevailing, in reaching its determination regarding the size and timing of option grants, stock unit awards and restricted stock awards. The timing of option grants is neither date nor event specific. However, the Company has historically granted options in the last quarter of each fiscal year. Grants of stock options to the Company's executives under the Option Plan provide an incentive to executives and managerial staff to achieve the Company's long-term performance objectives.

Although the Compensation Committee will continue to consider deductibility under Section 162(m) with respect to future compensation arrangements with Named Executive Officers, deductibility will not be the sole factor used in determining appropriate levels or methods of compensation. Since Company objectives may not always be consistent with the requirements for full deductibility, the Company may enter into compensation arrangements under which payments are not deductible under Section 162(m).

Conclusion

The Compensation Committee believes that long-term stockholder value is enhanced by corporate and individual performance achievements. Through the plans and practices described above, a significant portion of the Company's executive compensation is based on competitive pay practices, as well as corporate and individual performance. The Compensation Committee believes equity compensation, in the form of stock options, restricted stock, and stock units is vital to the long-term success of the Company. The Compensation Committee remains committed to this policy, recognizing that the competitive market for talented executives and the cyclical nature of the Company's business may result in highly variable compensation for a particular time period.

Report of the Compensation Committee of the Board of Directors

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis set forth above. Based upon the review and discussion, the Compensation Committee has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company's proxy statement.

CLINTON A. CLARK, CHAIRMAN
KRISTIN GAMBLE
EDWARD H. MEYER

Executive Compensation

Set forth below is a description of the business experience of each Named Executive Officer, other than Mr. Kathwari, whose experience is set forth above under Proposal 1, Election of Directors, of the Company:

David R. Callen, 41, has served as Vice President, Finance and Treasurer since joining the Company in 2007. Mr. Callen serves as both the Principal Financial Officer and Principal Accounting Officer, responsible for all aspects of accounting and finance of the Company. From 2003 through 2007, Mr. Callen occupied the roles of Vice President of Global Finance for Photronics, Inc., an industry leader in reticles and photomasks for semiconductor applications, in Brookfield, Connecticut after serving as the Corporate Controller of Johnson Outdoors, Inc., a global outdoor recreation products company, in Racine, Wisconsin. Mr. Callen holds a B.A. in Accounting from Michigan State University and is a licensed Certified Public Accountant in the state of Connecticut.

Corey Whitely, 48, has served as Executive Vice President, Operations since October 2007 and Executive Vice President of our subsidiary, Ethan Allen Operations, Inc., since 2005. He is responsible for overseeing the Company's manufacturing, logistics processes and information systems. Mr. Whitely served as Vice President Operations from 2003 until October 2007. He joined the Company in 1988 in the retail division and has held positions of increasing responsibilities including the areas of information technology, logistics and manufacturing. Mr. Whitely also serves on the Board of Directors of the Connecticut Retail Merchants Association, a statewide group representing retailers in Connecticut, and is a member of the National Retail Federation's CIO Council which is the industry's committee of IT leaders.

Nora Murphy, 48, has served as Executive Vice President, Style and Advertising since October 2007. Previously she had served as Vice President, Style from October 2001 to October 2007. Ms. Murphy is responsible for directing and coordinating the style, presentation, and design of the Company's products, design centers, and branding. Ms. Murphy began working for Ethan Allen as a consultant in 1992. For twenty years she was the principal of the design firm Balogh Murphy Renderings, which specialized in residential interior design and architectural and interior renderings. Ms. Murphy has designed furniture for Polo Ralph Lauren, where she held the title of product design manager. Ms. Murphy studied interior design at the Fashion Institute of Technology, in New York City.

Lynda W. Stout, 44 has served as Vice President, Retail Division since October 2007. Mrs. Stout is responsible for the oversight of the Company's retail division and its employees. She joined Ethan Allen Retail Inc. in 2002 and has since held positions of increasing responsibility in the Company's retail division. Mrs. Stout has over 22 years experience in the areas of Interior Design, management, and sales. She is a graduate of West Virginia University where she studied Business and Interior Design.

Summary Compensation Table

The following table sets forth, as to the Principal Executive Officer, Principal Financial Officer and the three next most highly compensated officers (the "Named Executive Officers"), information concerning all compensation paid or accrued for services rendered in all capacities to the Company during the fiscal years indicated.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Restricted Stock Award(1)	Option awards ($)(2)	All other compensation ($)(3)	Total ($)
M. Farooq Kathwari,	2008	$1,127,500		$214,650	$532,636	$ 165,084(4)	$2,039,870
Chairman of the Board,	2007	$1,100,000	$168,000				
President and Principal							
Executive Officer							