ETHAN ALLEN®

annual report 2009

dearshareholders

The challenges of operating this business in fiscal 2009 were extreme, but they also gave us an opportunity to aggressively restructure and reinvent many elements of our enterprise. These actions have made us ready for challenges and opportunities as we move forward.

We reduced our cost structure by $150 million compared to fiscal 2008, which affected every facet of our vertically integrated structure and included the consolidation of several manufacturing, distribution, and retail operations. We improved liquidity and maximized cash by reducing inventories by $30 million, cutting quarterly dividends to $0.05 from $0.25 per share, contributing stock in lieu of cash to our 401(k) plan, reducing the cash compensation of management, and establishing a $40 million asset-based revolving credit facility.

We also took the following important steps to strengthen the business and position ourselves for growth as we move forward:

We continued to evolve into a solutions-based interior design enterprise. Substantially all of our associates in our Design Centers are qualified in interior design. We also strengthened their service approach by implementing a team-based structure, which matches the skills of our design consultants with the needs of their clients.

We maintained a strong network at retail. At the end of the fiscal year, we had 293 Design Centers—159 operated by the company and 134 by our independent retailers. Due to major investments made during the last ten years, half of our Design Centers are less than six years old, while 30% are less than three years old. As a result, we expect to continue substantially reducing our capital expenditures from $60 million in fiscal 2008 and $22.5 million in fiscal 2009 to less than $15 million expected in fiscal 2010.

We introduced our Interior Designer Affiliate (IDA) membership program. This initiative to enroll independent interior designers as an extension of our retail network expands our reach to more clients. The independent designers will work in cooperation with our in-house design consultants, and the program offers a major opportunity to grow our business.

We enhanced our products. We expanded our custom offerings beyond upholstery to now include case goods. We expect to substantially complete a transition to custom case goods by the end of fiscal 2010. In manageable increments, we have also been transitioning all of our case goods to eco-friendly water-based finishes. These initiatives should help our domestic case goods to operate profitably and offer a competitive advantage.

We maintained a strong national advertising and marketing communications presence. This fiscal year we centralized our advertising campaign efforts, which enabled us to save costs while continuing to get out our messages to inspire, build traffic, and introduce initiatives. Our approach is multi-layered and includes national television ads, national and local print advertising, our new online magazines, email blasts, web advertising, targeted direct mail, and new free Style Workshops.

We strengthened our U.S.-based manufacturing. We announced during the fiscal year the consolidation of two upholstery plants and the realignment of our Northeastern case goods plants. This effort moves our operations to our most viable owned locations, and it puts us in a position to use our U.S.-based manufacturing to our advantage, with real benefits in terms of quality, style, and delivery for our clients.

We consolidated and refined our logistics network. During the year, we continued to consolidate several leased retail warehouse service centers to company-owned distribution facilities. As of June 30, 2009, we were operating 26 service centers, compared to 34 at the end of fiscal 2008, and 50 at the end of fiscal 2007.

We improved our technology. Early in 2009, we launched an award-winning state-of-the-art website, ethanallen.com, which offers an innovative combination of personal service and technology. The website offers an interactive design tool called My Projects that allows site visitors to create idea boards and room plans and get feedback online from a design consultant at a local Design Center. We also continued to improve our information systems with the roll-out of an updated retail system we call Vision 8, and also continued to upgrade our manufacturing information systems.

With these initiatives in place, we believe we have positioned Ethan Allen for growth and profitability. We appreciate your continued confidence and support.

Sincerely,

FAROOQ KATHWARI
Chairman of the Board, President and CEO
Ethan Allen Interiors Inc.

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

(Amendment No. 1)

(Mark One)

[X] **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended June 30, 2009 OR

[ ] **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to ___________

Commission file number 1-11692

Ethan Allen Interiors Inc.

(Exact name of registrant as specified in its charter)

Delaware	06-1275288
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Ethan Allen Drive, Danbury, CT	06811
(Address of principal executive offices)	(Zip Code)

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

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

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

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

None

(Title of Class)

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

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

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

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Date File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files). [ ] Yes [ ] No

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

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

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

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

The aggregate market value of the Registrant's common stock, par value $.01 per share, held by non-affiliates (based upon the closing sale price on the New York Stock Exchange) on December 31, 2008, (the last day of the Registrant's most recently completed second fiscal quarter) was approximately $413,411,234. As of July 31, 2009, there were 28,916,929 shares of the Registrant's common stock, par value $.01 per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE: The Registrant's definitive Proxy Statement for the 2009 Annual Meeting of stockholders, which will be filed with the Securities and Exchange Commission pursuant to Regulation 14A of the Securities Exchange Act of 1934, is incorporated by reference into Part III hereof.

EXPLANATORY NOTE

Ethan Allen Interiors, Inc. (the "Company") is filing this Amendment No. 1 on Form 10-K/A (the "Form 10-K/A") to the Company's Annual Report on Form 10-K for the year ended June 30, 2009 (the "Original Filing"), to correct a typographical error in the description and subtotal for total comprehensive income (loss) appearing in the Consolidated Statements of Shareholders' Equity for the year ended June 30, 2009. See the Consolidated Statements of Shareholders' Equity appearing on page 43 of the audited consolidated financial statements contained in this form 10-K/A.

For the convenience of the reader, this Form 10-K/A sets forth the Original Filing in its entirety. However, this form 10-K/A only amends Item 8 of part II of the Original Filing, to correct a typographical error in the description and subtotal for other comprehensive income (loss), and no other information in the Original Filing is amended hereby. In addition, Item 15 of Part IV of the Original Filing has been amended to contain currently dated consent, and certifications from the Company's Chief Executive Officer and Chief Financial Officer, and are attached to this form 10-K/A as Exhibits 23, 31.1, 31.2, 32.1 and 32.2

TABLE OF CONTENTS

PART I

Item 1. Business

Background

Incorporated in Delaware in 1989, Ethan Allen Interiors Inc., through its wholly-owned subsidiary, Ethan Allen Global, Inc., and Ethan Allen Global, Inc.'s subsidiaries (collectively, "We," "Us," "Our," "Ethan Allen" or the "Company"), is a leading manufacturer and retailer of quality home furnishings and accessories, offering a full complement of home decorating and design solutions through one of the country's largest home furnishing retail networks. In recent years, we have made, and continue to make, considerable investment in our business in order to expand and improve our interior design capabilities. In order to better reflect these expanded capabilities, we have changed the designation of our Ethan Allen retail outlets from "stores" to "design centers". The Company was founded in 1932 and has sold products under the Ethan Allen brand name since 1937.

Mission Statement

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

Operating Segments

Our operations are classified into two operating segments: wholesale and retail. These operating segments represent strategic business areas which, although they operate separately and provide their own distinctive services, enable us to more effectively offer our complete line of home furnishings and accessories. For certain financial information regarding our operating segments, see Note 16 to the Consolidated Financial Statements included under Item 8 of this Annual Report and incorporated herein by reference.

The wholesale segment is principally involved in the development of the Ethan Allen brand, which encompasses the design, manufacture, domestic and off-shore sourcing, sale and distribution of a full range of home furnishings and accessories to a network of independently operated and Ethan Allen operated design centers as well as related marketing and brand awareness efforts. Wholesale revenue is generated upon the wholesale sale and shipment of our product to all retail design centers, including those operated by Ethan Allen. Wholesale profitability includes (i) the wholesale gross margin, which represents the difference between the wholesale sales price and the cost associated with manufacturing and/or sourcing the related product, and (ii) other operating costs associated with wholesale segment activities.

The retail segment sells home furnishings and accessories to consumers through a network of Company-operated design centers. Retail revenue is generated upon the retail sale and delivery of our product to our customers. Retail profitability includes (i) the retail gross margin, which represents the difference between the retail sales price and the cost of goods purchased from the wholesale segment, and (ii) other operating costs associated with retail segment activities.

While the manner in which our home furnishings and accessories are marketed and sold is consistent, the nature of the underlying recorded sales (i.e. wholesale versus retail) and the specific services that each operating segment provides (i.e. wholesale manufacturing, sourcing, and distribution versus retail selling) are different. Within the wholesale segment, we maintain revenue information according to each respective product line (i.e. case goods, upholstery, or home accessories and other). Sales of case good items include, but are not limited to, beds, dressers, armoires, tables, chairs, buffets, entertainment units, home office furniture, and wood accents. Sales of upholstery home furnishing items include sleepers, recliners, chairs, sofas, loveseats, cut fabrics and leather. Skilled craftsmen cut, sew and upholster custom-designed upholstery items which are available in a variety of frame and fabric options. Home accessory and other items include window treatments, wall decor, lighting, clocks, bedding and bedspreads, decorative accessories, area rugs, and home and garden furnishings.

Revenue information by product line is not as easily determined within the retail segment. However, because wholesale production and sales are matched, for the most part, to incoming orders, we believe that the allocation of retail sales by product line would be similar to that of the wholesale segment.

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

In fiscal 2009, wholesale sales to independent retailers and retail sales of Company-operated design centers accounted for approximately 25% and 75%, respectively, of our c consolidated net sales.

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

	Fiscal Year Ended June 30,		
	2009	2008	2007
Wholesale net sales	$403.4	$616.2	$656.0

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

	Fiscal Year Ended June 30,		
	2009	2008	2007
Case Goods	41%	43%	44%
Upholstered Products	41	40	38
Home Accessories and Other	18	17	18
	100%	100%	100%

During fiscal 2009, we operated as many as ten manufacturing facilities, including four case good plants (two of which include separate sawmill operations), four upholstery plants and one home accessory plant, located within the United States and one cut and sew operation in Mexico. As announced during the fiscal year, we are consolidating two upholstery plants into existing operations and one case goods plant including its sawmill operation. By the end of our first fiscal quarter of 2010, we plan to operate three case goods plants (including one sawmill), three upholstery plants (two upholstery plants on our Maiden, North Carolina campus and one cut and sew plant in Mexico) and one home accessory plant. We also source selected case good, upholstery, and home accessory items from third-party suppliers located both domestically and outside the United States.

As of June 30, 2009, we maintained a wholesale backlog of $20.6 million (as compared to $33.0 million as of June 30, 2008) which is anticipated to be serviced in the first quarter of fiscal 2010. Backlog at a point in time is a result, primarily, of net orders booked in prior periods, manufacturing schedules, timing associated with the receipt of sourced product, and the timing and volume of wholesale shipments. Because orders may be rescheduled and/or canceled, the measure of backlog at a point in time may not necessarily be indicative of future sales performance.

For the twelve months ended June 30, 2009, net orders booked at the wholesale level, which includes orders generated by independently operated and Company-operated design centers, totaled $398.5 million as compared to $617.1 million for the twelve months ended June 30, 2008. In any given period, net orders booked may be impacted by the timing of floor sample orders received in connection with new product introductions. New product offerings may be made available to the retail network at any time during the year, including in connection with our periodic retailer conferences.

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

	Fiscal Year Ended June 30,		
	2009	2008	2007
Retail net sales	$508.6	$724.6	$698.6

We sell our products through a dedicated network of 293 retail design centers. As of June 30, 2009, we operated 159 design centers and independent retailers operated 134 design centers (as compared to 159 and 136, respectively, at the end of the prior fiscal year). The ten largest independent retailers own a total of 62 design centers, which, based on net orders booked, accounted for approximately 11% of total net sales in fiscal 2009.

During fiscal 2009 we acquired four design centers from independent retailers, opened six new design centers (of which three were relocations), and closed seven design centers. In addition, during the past year, independent retailers opened fourteen new design centers (of which three were relocations), and closed nine design centers. In the past five years, we and our independent retailers have, on a combined basis, opened 107 new design centers (of which 44 were relocations), and closed 81. The geographic distribution of all retail design center locations is included under Item 2 of Part I of this Annual Report.

We pursue further expansion of the Company-operated retail business by opening new design centers, relocating existing design centers and, when appropriate, acquiring design centers from independent retailers. In addition, we continue to promote the growth and expansion of our independent retailers through ongoing support in the areas of market analysis, site selection, and business development. All retailers are required to enter into license agreements with us which (i) authorize the use of certain Ethan Allen service marks and (ii) require adherence to certain standards of operation, including a requirement to fulfill related warranty service agreements. We are not subject to any territorial or exclusive retailer agreements in North America.

Products

Our strategy has been to position Ethan Allen as a preferred brand with superior quality and value while, at the same time, providing consumers with a comprehensive, one-stop shopping solution for their home furnishing needs. In carrying out our strategy, we continue to expand our reach to a broader consumer base through a diverse selection of attractively priced products, many of which have been designed to complement one another, reflecting the recent trend toward more eclectic home decorating. Recent product introductions, as well as increased styles and fabric selections within our custom upholstery line, new finishes for, and redesigns of, previous product introductions, and expanded product offerings to accommodate today’s home decorating trends, are serving to redefine Ethan Allen, positioning us as a leader in style.

In an effort to more effectively position ourselves as a provider of interior design solutions, we introduced a merchandising strategy which involves the grouping of our product offerings, previously categorized by collection, into seven distinct product “lifestyles”, each reflecting the diversity and eclecticism that we believe represents the best in American design. In accordance with this merchandising strategy, new products are designed and developed to reflect unique elements applicable to one or more of the following lifestyles: Country House; Estate; Glamour; Global; Loft; Metro; and Villa.

All of our case goods, upholstered products, and home accessories are styled with distinct design characteristics. Home accessories play an important role in our marketing strategy as they enable us to offer the consumer the convenience of one-stop shopping by creating a comprehensive home furnishing solution. The interior of our design centers is designed to facilitate display of our product offerings in complete room settings in order to project the category lifestyle.

We continuously monitor changes in home design trends through attendance at international industry events and fashion shows, internal market research, and regular communication with our retailers and design center design consultants who provide valuable input on consumer tendencies. Observations and input gathered as a result of our efforts enable us to incorporate appropriate style details into our products thereby allowing us, we believe, to react quickly to changing consumer tastes. For example, since 2005, approximately 70% of our current complement of product offerings is new. Much of the balance has been refined and enhanced through product redesign, additions, deletions, and/or finish changes. Such undertakings are indicative of our ability to adapt to the current consumer trend toward more casual and eclectic lifestyles while, at the same time, maintaining a classic appeal.

In fiscal 2005, we also introduced an innovative pricing program, eliminating periodic sale events in lieu of a nation-wide uniform everyday best price on all of our product offerings. We believe that this approach demonstrates our commitment to differentiating ourselves through strategies focused on customer credibility and excellence in service. In addition, everyday best pricing provided us the opportunity to critically examine all facets of our business, making substantive changes, where necessary, in order to more effectively carry out our solutions-based approach to home decorating. In response to the recession, in the latter part of fiscal 2009 the Company offered special savings mostly on select initiatives including new product introductions.

Product Sourcing Activities

We are one of the largest manufacturers of home furnishings in the United States, manufacturing and/or assembling approximately 65% of our products within six manufacturing facilities, one of which includes separate sawmill operations. Our facilities are located in the Northeast and Southeast regions of the United States and in Mexico where they are close to sources of raw materials and skilled craftsmen. The balance of our production is outsourced according to our own internally-developed design specifications, through third-party suppliers, most of which are located outside the United States. These suppliers, primarily in Asia, have been carefully selected and generally have supplied us for many years. We believe that continued investment in our manufacturing facilities, combined with an appropriate level of outsourcing through both foreign and domestic suppliers, will accommodate future sales growth and allow us to maintain an appropriate degree of control over cost, quality and service to our customers.

We also take pride in our "green" initiatives which include the use of responsibly harvested Appalachian woods, water based finishes, organic textiles and recycled materials.

Raw Materials and Other Suppliers

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

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

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

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

Distribution and Logistics

Within the wholesale segment, we warehouse and distribute our products primarily through a national network of four primary distribution centers (three of which are owned) strategically located throughout the United States. These distribution centers hold finished product received from our manufacturing facilities and our third-party suppliers, for shipment to retail design centers and retail service centers. From time to time, we may also rent temporary warehouse space and/or utilize third-party logistics service providers to accommodate our additional storage needs. We stock selected case goods, upholstery and accessories to provide for quick delivery of in-stock items and to allow for more efficient production runs.

Wholesale shipments are made utilizing our own fleet of trucks and trailers or through subcontracting agreements with independent carriers. Approximately 45% of our fleet (trucks and trailers) is leased under operating lease agreements with terms ranging from one to 72 months.

Our policy is to sell our products at the same delivered cost to all Company-operated and independently operated design centers nationwide, regardless of their shipping point. The adoption of this policy has created pricing credibility with our customers and provided our retail network the opportunity to achieve more consistent margins as fluctuations attributable to the cost of shipping have been eliminated. Further, this policy has eliminated the need for our independent retailers to carry significant amounts of inventory in their own warehouses. As a result, we obtain more accurate information regarding product demand in order to better plan production runs and manage inventory levels.

Retail service centers are operated by the Company and the independent retailers to prepare products for delivery into clients' homes. The Company-operated service centers have been made more efficient and enabled us to reduce the total number from 50 at the beginning of fiscal 2008 to 26 at the end of fiscal 2009. We continue to evaluate the entire logistics and distribution model to further streamline these operations.

Marketing Programs

We believe that our ability to create high-quality marketing programs and coordinate advertising efforts for Ethan Allen design centers, including, from time to time, coordination of local market advertising, provides a competitive advantage over other home furnishing manufacturers and retailers. With a dedicated network of about 300 retail design centers taking advantage of such internally-developed marketing efforts, we believe we are better positioned to fulfill our brand promise on a more consistent basis.

The objectives of our marketing campaign are to (i) communicate our position as both a leader in style and a full-service provider of home decorating and design solutions, and (ii) drive traffic into the retail design center network. In support of these objectives, several forms of media are utilized, including television (both national and local), direct mail, newspapers, magazines, radio, and our internet website. We also conduct a national email marketing campaign which serves to distribute electronic newsletters containing inspirational interior design ideas to a growing database of consumers.

Our national television and print advertising campaigns are designed to capitalize on our existing brand equity and maintain top-of-mind awareness of the breadth of our product and service offerings. With this is mind, our in-house team of advertising specialists has developed what we believe is the most cohesive national advertising campaign in the home furnishings industry. Coordinated local television and print, to the extent these media are utilized, serve to support our national programs.

The Ethan Allen direct mail magazine, which brands our product lifestyles and communicates the breadth of our services, is one of our most important marketing tools. We publish and sell the magazines to both Company-operated and independently operated design centers, which, with demographic information collected through independent market research, are able to target potential customers. Given the importance of this advertising medium, direct mail marketing lists continue to be refined in order to target those consumers that are most likely to purchase, with the objective of improving our return on direct mail expenditures. Approximately 12 million copies of our direct mail magazine were distributed to consumers during fiscal 2009.

Our television advertising and direct mail efforts are supported by strong print and radio campaigns in various markets. During fiscal 2009, we also updated our 200-page "Ethan Allen Style" book. This publication, which includes a catalogue of our home furnishings and accessories, projects our seven product lifestyles to our clients and helps customers identify their own personal style using our product offerings. We believe this publication represents one of the most comprehensive and effective home decorating resources in the home furnishings industry.

In 2009, the Company launched the all-new ethanallen.com website which combines personal service and technology. The new state-of-the-art website provides a new way to shop for Ethan Allen and is designed to inspire visitors with videos, feature stories, design and style solutions, new photography, and Ethan Allen's portfolio for livable design—the Seven Lifestyles. It offers a new interactive design tool called *My Projects* that allows site visitors to create idea boards and room plans and get feedback online from a design consultant at a local design center. The website's *Inspire* section includes editorial features, new product stories, design trend information, decorating solutions, and a collection of creative films and TV clips showcasing Ethan Allen's Lifestyles and looks. The *As Seen In* column shows visitors how Ethan Allen products have influenced style around the globe. Ethan Allen's direct mail magazines are viewable online with full browsing and shopping capabilities. In the *Design* section, visitors can explore the Seven Lifestyles in depth and after finding their own style with our style quiz, shop the furnishings featured in the fully designed rooms. For the first time, visitors to ethanallen.com can now access nearly all of the Company's more than 3,000 products online. The new ethanallen.com received recognition at the 2008 IAC Awards (Internet Advertising Committee) as "outstanding website".

We have also developed an extranet website which links the retail design centers with consumer information captured on-line, such as customer requests for design assistance and copies of our direct mail magazine. This medium has become the primary source of communications within our retail network providing a variety of information, including a Company-wide daily news flash, downloads of current advertising materials, prototype design center display floor plans and detailed product information.

Retail Design Center Network

Ethan Allen design centers are typically located in busy urban settings as freestanding destinations or as part of suburban strip malls, depending upon the real estate opportunities in a particular market. At the present time, our design centers average approximately 16,000 square feet in size. While the footprint for most of our retail network is similar, our design centers currently range in size from approximately 3,000 square feet to 35,000 square feet.

We maximize uniformity of presentation throughout the retail design center network through a comprehensive set of standards. These standards assist each design center in presenting a high quality image and offer retail customers consistent levels of product selection and service. A uniform design center image is conveyed through our ongoing program to model all retail design centers with similar and consistent exterior facades and interior layouts. This program is carried out at all design centers, including those that are independently operated.

We provide display planning assistance to all Company-operated design centers and independent retailers to support them in updating the interior projection and to maintain a consistent image. We have developed a standard interior design format for our retail network which, through the use of focused lifestyle settings to display our products and information displays to educate consumers, has positioned Ethan Allen as a leader in home furnishings retailing.

We have strengthened the retail division with many initiatives, including the opening of new and relocated design centers in desirable locations, introduction of Lifestyle presentations and floor plans, strengthening of the professionalism of our designers through training and a team approach, and the consolidation of certain design centers and service centers. The bulk of this effort was completed by the end of fiscal 2008, but continued in fiscal 2009 with six new Company-operated design centers during the year including relocations and seven in underperforming markets closed. We consolidated 16 Company-operated retail service centers into larger service centers in fiscal 2008 and another eleven in fiscal 2009. We also opened three Company-operated service centers in fiscal 2009. This effort continues to reduce the retail logistics infrastructure needed to provide "white glove" delivery service to our customers.

People

At June 30, 2009, we had approximately 4,300 employees ("associates"), less than one percent of whom are represented by unions. These collective bargaining agreements expire at various times within the next two years. We expect no significant changes in our relations with these unions and believe we maintain good relationships with our employees.

The retail network, which includes both Company-operated and independently operated design centers, is staffed with a sales force of design consultants and service professionals who operate in teams to provide customers with an effective home decorating solution at no additional charge. Our associates receive appropriate training with respect to the distinctive design and quality features inherent in each of our products and programs, allowing them to more effectively communicate the elements of style and value that serve to differentiate us from the competition. As such, we believe our design consultants, and the complimentary service they provide, create a distinct competitive advantage over other home furnishing retailers.

We have made considerable investment within the retail network to strengthen the level of service, professionalism, interior design competence, efficiency, and effectiveness of retail design center personnel. The implementation of the "team" concept is the latest phase of that progression, which resulted in the development of over 280 interior design teams within the Company design centers. We believe that with this structure, along with the emphasis in our messaging to clients that "we can help as little or as much as you like", as well as offering the benefit of making appointments with our design professionals, we continue to improve the customer service experience.

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

Customer Service Offerings

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

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

Rewards
In celebration of the new website, the Company recently launched its "Become a Member" campaign. Members who are eligible receive 500 reward points. Each point is redeemable toward future qualifying purchases for up to the lesser of $500 or 5% of the total qualifying purchase price. Shoppers can redeem their points both in Design Centers or online, through a limited time.

On-Line Room Planning
We offer, via our website, an interactive on-line room planning resource which serves to further assist consumers with their home decorating needs. Through the use of this web-based tool, customers can determine which of our product offerings best fit their particular needs based on their own individual home floor plan.

Ethan Allen Consumer Credit Programs
The Ethan Allen Finance Plus program offers consumers (clients) a menu of three custom financing options through the use of just one account. Clients can choose between (1) "Term Choice" which offers fixed monthly payments the customer chooses from 12 to 60 months at an interest rate from 3.99% to 9.99% per annum, (2) "No Payment / Deferred Interest" which offers clients a way to borrow interest free for three or six months with no monthly payments. If the purchase is not paid by the due date, interest is charged from the date of purchase at a fixed interest rate of 24.99% per annum, and (3) "Ethan Allen Prime" which offers the lowest minimum monthly payment plan including no payments the first three months; interest is accrued at a rate that matches the current prime rate. All plans provide credit lines from $1,000 to $20,000, or greater, if the customer qualifies. Financing offered is administered by a third-party financial institution and is granted to our customers on a non-recourse basis to the Company. Clients may apply for an Ethan Allen Finance Plus card at any participating design center or on-line at ethanallen.com.

Competition

In recent years, the home furnishings industry has faced numerous challenges, not the least of which is an influx of low-priced competition from overseas. As a result, we believe a trend toward product commoditization has developed. In fiscal 2009, the economic recession resulted in many small furniture retailers going out of business and other well-established competitors resorting to heavy discounts to liquidate inventory. Instead of following this trend, we differentiate ourselves as a preferred brand by adhering to a business strategy focused on providing (i) high-quality, well designed and often custom handmade products at good value, (ii) a comprehensive complement of home furnishing design solutions, including our complimentary design service, and (iii) excellence in customer service. We consider our vertical integration a significant competitive advantage in the current environment as it allows us to design, manufacture and source, distribute, market, and sell our products through one of the industry's largest single-source retail networks.

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

We believe the home furnishings industry competes primarily on the basis of product styling and quality, personal service, prompt delivery, product availability and price. We further believe that we effectively compete on the basis of each of these factors and that, more specifically, our retail format, our award winning website, and complimentary design service create a distinct competitive advantage, further supporting our mission of providing consumers with a complete home decorating and design solution. Our objective is to continue to develop and strengthen our retail network by (i) expanding the Company-operated retail business through the relocation of existing design centers, opening of new design centers, and, when appropriate, acquiring design centers from, or selling design centers to, independent retailers, and (ii) obtaining and retaining independent retailers, encouraging such retailers to expand their business through the opening or relocation of new design centers with the objective of increasing the volume of their sales.

Trademarks

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

Available Information

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

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

Item 1A. Risk Factors

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

A prolonged economic downturn may continue to materially adversely affect our business.

Our business and results of operations are affected by international, national and regional economic conditions. The United States and many other international economies have entered a recession. Our primary customer base, direct or indirect, is composed of individual consumers. Continued weakness in the U.S. economy, high unemployment, volatile capital markets, depressed housing prices and tight consumer lending practices have resulted in considerable negative pressure on consumer spending. We believe these events have impacted consumers in our markets in ways that have negatively affected our business. In the event the current economic downturn continues, or worsens, our current and potential customers may be inclined to further delay their purchases. In addition, further tightening of credit markets may restrict our customers' ability and willingness to make purchases.

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

Our ability to continue to access consumer credit for our clients could be negatively affected by conditions outside our control. Given the difficult capital markets, there is a risk that, though we have agreements that do not expire until July 2012, our business partner which issues our private label credit card program, may not be able to fulfill their obligations under that agreement.

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

Historically, we have relied upon our cash from operations to fund our operations and growth. As we operate and expand our business, we may rely on external funding sources, including the proceeds from the issuance of debt or the $40 million revolving bank line of credit (expandable to $60 million) under our existing credit facility. Any unexpected reduction in cash flow from operations could increase our external funding requirements to levels above those currently available. If our Standard & Poor's credit rating remains below investment grade through March 2010, the issuer of our private label credit cards may exercise a right to demand up to $12 million in letters of credit which would reduce the credit available for borrowings from the $27.5 million remaining available at June 30, 2009. If the total remaining availability of the revolver is below $17.5 million, a lien by the banks would be imposed on the Company's intellectual property. If our credit ratings were lowered further, the Company's access to debt (including its ability to expand the current revolver from $40 million to up to $60 million) could be negatively impacted. There can be no assurance that we will not experience unexpected cash flow shortfalls in the future or that any increase in external funding required by such shortfalls will be available.

Continued operating losses could reduce our liquidity and impact our dividend policy.

Historically, we have relied on our cash from operations to fund our operations and the payment of cash dividends. If the Company continues to experience operating losses we may not be able to fund a shortfall from operations and would require external funding. Due to recent changes in the capital markets, some financing instruments used by the Company in the past are currently not available to the Company. We cannot assure that additional sources of financing would be available to the Company on commercially favorable terms should the Company's capital requirements exceed cash available from operations and existing cash and cash equivalents. In such circumstances the Company may further reduce its quarterly dividends.

Additional impairment charges could reduce our profitability.

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

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

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

We import a portion of our merchandise from foreign countries. As a result, our costs may be increased by events affecting international commerce and businesses located outside the United States, including changes in international trade, central bank actions, changes in the relationship of the U.S. dollar versus other currencies, and other governmental policies of the U.S. and the countries from which we import a portion of our merchandise. The inability to import products from certain foreign countries or the imposition of significant tariffs could have a material adverse effect on our results of operations.

Competition from overseas manufacturers continues to increase and may adversely affect our business, operating results or financial condition.

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

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

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

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

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

The consolidation of manufacturing and logistics operations into fewer sites may increase the exposure to business disruption and could result in higher transportation costs.

The Company has reduced the number of redundant manufacturing sites in both our case goods and upholstery operations. Our upholstery operations consist of two upholstery plants on our Maiden, North Carolina campus supported in part by one cut and sew plant in Mexico. If any of these upholstery manufacturing sites experience significant business interruption, our ability to manufacture products timely would likely be impacted. Our plants require various raw materials and commodities such as logs and lumber for our case goods plants and foam, springs and engineered hardwood board for our upholstery plants. While we have long standing relationships with multiple outside suppliers of our raw materials and commodities, there can be no assurance of their ability to fulfill our supply needs on a timely basis. The consolidation to fewer retail logistics operations has resulted in longer distances for delivery and could result in higher costs to transport products if fuel costs increase significantly.

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

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

We have been identified as a potentially responsible party in connection with one site that is currently listed, or proposed for inclusion, on the National Priorities List under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, or its state counterpart. In addition, noncompliance with, or stricter enforcement of, existing laws and regulations, adoption of more stringent new laws and regulations, discovery of previously unknown contamination or imposition of new or increased requirements could require us to incur costs or become the basis of new or increased liabilities that could be material.

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

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

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

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

The market for qualified employees and personnel in the retail and manufacturing industries is highly competitive. Our success depends upon our ability to attract, retain and motivate qualified craftsmen, management, marketing and sales personnel and upon the continued contributions of these individuals. We cannot provide assurance that we will be successful in attracting and retaining qualified personnel. A shortage of qualified personnel may require us to enhance our wage and benefits package in order to compete effectively in the hiring and retention of qualified employees. Our labor costs may continue to increase and such increases may not be recovered. In addition, some of our employees are covered by collective bargaining agreements with local labor unions. Although we do not anticipate any difficulty renegotiating these contracts as they expire, a labor-related stoppage by these unionized employees could adversely affect our business and results of operations. The loss of the services of key personnel or our failure to attract additional qualified personnel could have a material adverse effect on our business, operating results and financial condition.

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

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

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

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

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

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

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

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

Failure to protect our intellectual property could adversely affect us.

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

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our corporate headquarters, located in Danbury, Connecticut, consists of one building containing 144,000 square feet, situated on approximately 18.0 acres of land, all of which is owned by us. Located adjacent to the corporate headquarters, and situated on approximately 5.4 acres, is the Ethan Allen Hotel and Conference Center, containing 195 guestrooms. This hotel, owned by a wholly-owned subsidiary of Ethan Allen, is used in connection with Ethan Allen functions and training programs, as well as for functions and accommodations for the general public.

During fiscal 2009, we operated as many as ten manufacturing facilities located in six states and Mexico. All of these facilities are owned, with the exception of a 145,636 square foot leased upholstery plant in California which will be closed by January 2010. As announced during fiscal year 2009, we are consolidating select upholstery and case goods plants into existing operations. By the end of our first quarter of fiscal 2010, we plan to operate three case goods plants (including one sawmill) totaling 1,644,522 square feet, three upholstery furniture plants (consisting of two upholstery plants on our Maiden, North Carolina campus and one cut and sew plant in Mexico) totaling 649,396 square feet, and one home accessory plant that is 295,000 square feet all of which are owned by the company.

In addition, we operate four primary distribution centers, totaling 1,179,029 square feet. All of these facilities are owned, with the exception of one leased distribution facility in California, which is 80,000 square feet. Our U.S. manufacturing and distribution facilities for future operations are located in North Carolina, Vermont, Virginia, Oklahoma, California, New Jersey and Indiana, and our Mexico plant is located in Guanajuato.

We own four and lease 22 retail service centers, totaling 1,268,631 square feet. Our retail service centers are located throughout the United States and Canada and serve to support our various retail sales districts.

The geographic distribution of our retail design center network as of June 30, 2009 is as follows:

	Retail Design Center Category	
	Company Operated	Independently Operated
United States	154	88
North America-Other (1)	5	2
Asia	-	41
Middle East	-	3
Total	159	134

(1) We own and operate five retail design centers located in Canada.

Of the 159 retail design centers operated by us, 76 of the properties are owned and 83 of the properties are leased from independent third parties. Of the 76 design center locations owned by us, 20 are subject to land leases. We own three additional retail properties, two of which are leased to independent Ethan Allen retailers, and one of which is leased to an unaffiliated third party. See Note 8 to the Consolidated Financial Statements included under Item 8 of this Annual Report for more information with respect to our operating lease obligations.

Our Ethan Allen Hotel and Conference Center located in Danbury, Connecticut, was financed, in part, with industrial revenue bonds. The bonds bear interest at a fixed rate of 7.50% and have a remaining balance at June 30, 2009 of $3.9 million which matures in two years. The Beecher Falls, Vermont manufacturing facility was financed, in part, by the State of Vermont Economic Development Authority (“VEDA”) and the Town of Canaan, Vermont. The VEDA debt matured in June 2006 and was repaid in full at that time. The Town of Canaan debt bears interest at a fixed rate of 3.00% and has a remaining balance at June 30, 2009 of $0.3 million, with maturities of three to 18 years. We believe that all of our properties are well maintained and in good condition.

We estimate that our manufacturing division is currently operating at approximately 50% of capacity. As a result, we announced the consolidation of our Eldred, Pennsylvania and Chino, California upholstery plants into existing operations as well as the closure of our Andover, Maine case goods plant and realignment of other case goods operations in the Northeast. We believe we have additional capacity at selected facilities, which we could utilize with minimal additional capital expenditures.

Item 3. Legal Proceedings

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

Environmental Matters

We and our subsidiaries are subject to various environmental laws and regulations. Under these laws, we and/or our subsidiaries are, or may be, required to remove or mitigate the effects on the environment of the disposal or release of certain hazardous materials.

During the fiscal year ending June 30, 2009, our liability with respect to three active sites currently listed, or proposed for inclusion, on the National Priorities List ("NPL") under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"), where we and/or our subsidiaries had been named as a Potentially Responsive Party (“PRP”) located in Southington, Connecticut; High Point, North Carolina; and Atlanta, Georgia has been resolved.

In each case we were not a major contributor based on the very small volume of waste generated by us in relation to total volume at those sites and were able to take part in de minimus settlement arrangements. Specifically, with respect to the Southington site, our volumetric share is less than 1% of over 51 million gallons disposed of at the site and there are more than 1,000 PRPs. With respect to the High Point site, our volumetric share is less than 1% of over 18 million gallons disposed of at the site and there are more than 2,000 PRPs, including more than 1,000 de minimis parties (of which we are one). With respect to the Atlanta site, a former solvent recycling/reclamation facility, our volumetric share is less than 1% of over 20 million gallons disposed of at the site by more than 1,700 PRPs.

In addition to the now settled actions discussed above, in July 2000, we were notified by the State of New York (the "State") that we may be named a PRP in a separate, unrelated matter with respect to a site located in Carroll, New York. In May, 2009, we were notified by the State that it had conducted an initial environmental study and that we have been named as a PRP. We believe that we are not a major contributor; however, a review of the initial environmental study is ongoing.

Liability under CERCLA may be joint and several. As such, to the extent certain named PRPs are unable, or unwilling, to accept responsibility and pay their apportioned costs, we could be required to pay in excess of our pro rata share of incurred remediation costs. Our understanding of the financial strength of other PRPs has been considered, where appropriate, in the determination of our estimated liability.

As of June 30, 2009, we believe that established reserves related to these environmental contingencies are adequate to cover probable and reasonably estimable costs associated with the remediation and restoration of these sites. We believe our currently anticipated capital expenditures for environmental control facility matters are not material.

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

Regulations issued under the Clean Air Act Amendments of 1990 required the industry to reformulate certain furniture finishes or institute process changes to reduce emissions of volatile organic compounds. Compliance with many of these requirements has been facilitated through the introduction of high solids coating technology and alternative formulations. In addition, we have instituted a variety of technical and procedural controls, including reformulation of finishing materials to reduce toxicity, implementation of high velocity low pressure spray systems, development of storm water protection plans and controls, and further development of related inspection/audit teams, all of which have served to reduce emissions per unit of production. We remain committed to implementing new waste minimization programs and/or enhancing existing programs with the objective of (i) reducing the total volume of waste, (ii) limiting the liability associated with waste disposal, and (iii) continuously improving environmental and job safety programs on the factory floor which serve to minimize emissions and safety risks for employees. We will continue to evaluate the most appropriate, cost effective, control technologies for finishing operations and design production methods to reduce the use of hazardous materials in the manufacturing process.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted for vote by our security holders during the fourth quarter of fiscal 2009.

PART II

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

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

	Market Price			Dividend
	High	Low	Close	Per Share
Fiscal 2009				
First Quarter	$ 34.02	$ 22.34	$ 28.02	$ 0.25
Second Quarter	28.90	11.26	14.37	0.25
Third Quarter	15.05	6.98	11.26	0.10
Fourth Quarter	14.47	9.86	10.36	0.05
Fiscal 2008				
First Quarter	$ 36.55	$ 31.57	$ 32.69	$ 0.22
Second Quarter	35.41	25.87	28.50	0.22
Third Quarter	31.98	22.67	28.43	0.22
Fourth Quarter	31.37	24.48	24.60	0.22

As of August 13, 2009, there were 328 shareholders of record of our common stock. Management estimates there are over eleven thousand beneficial shareholders of the Company's common stock. On July 21, 2009, we declared a dividend of $0.05 per common share, payable on October 26, 2009 to shareholders of record as of October 9, 2009. We expect to continue to declare quarterly dividends for the foreseeable future, business conditions permitting.

Equity Compensation Plan Information

The information required by this Item 5 with respect to Equity Compensation Plan Information is set forth in Item 12 – Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters, contained in this Annual Report and incorporated herein by reference.

Issuer Purchases of Equity Securities

On November 21, 2002, our Board of Directors approved a share repurchase program authorizing us to repurchase up to 2,000,000 shares of our common stock, from time to time, either directly or through agents, in the open market at prices and on terms satisfactory to us. Subsequent to that date, the Board of Directors increased the remaining authorization as follows: from 904,755 shares to 2,500,000 shares on April 27, 2004; from 753,600 shares to 2,000,000 shares on November 16, 2004; from 691,100 shares to 2,000,000 shares on April 26, 2005; from 393,100 shares to 2,500,000 shares on November 15, 2005; from 1,110,400 shares to 2,500,000 shares on July 25, 2006; from 707,300 to 2,500,000 shares on July 24, 2007, and from 1,368,000 to 2,000,000 shares on November 13, 2007. As of June 30, 2009 we had a remaining Board authorization to repurchase 1,567,669 shares. There were no share repurchases during the quarter or fiscal year ended June 30, 2009.

Stockholder Rights Plan

We have a Stockholder Rights Plan, a description of which is set forth in Note 9 to the Consolidated Financial Statements included under Item 8 of this Annual Report and incorporated herein by reference. Such description contains all of the required information with respect thereto.

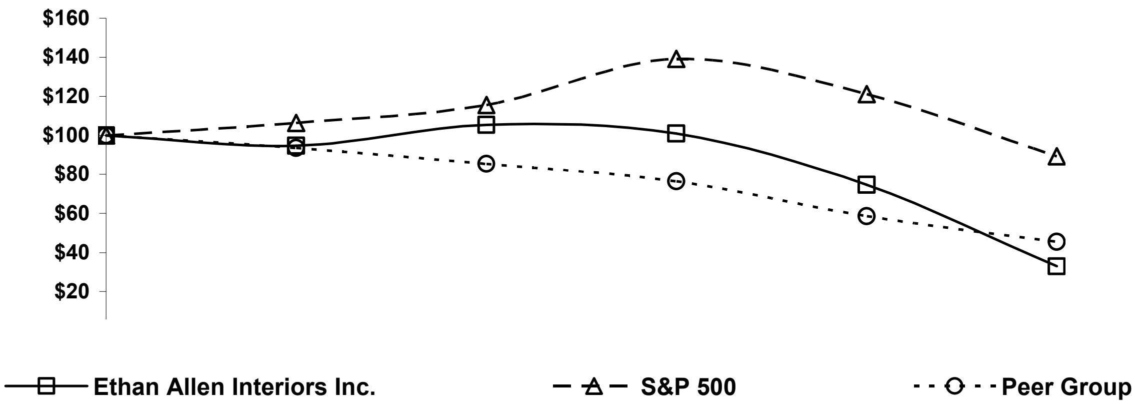
Comparative Company Performance

The following line graph compares cumulative total stockholder return for the Company with a performance indicator of the overall stock market, the Standard & Poor's 500 Index, and an industry index, the Peer Issuer Group Index, assuming $100 was invested on June 30, 2004.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Ethan Allen Interiors Inc., The S&P 500 Index

And A Peer Group



*$100 invested on 6/30/04 in stock or index, including reinvestment of dividends.
Fiscal year ending June 30.

Peer group includes Bassett Furniture Industries, Inc., Chromcraft Revington, Inc., Flexsteel Industries, Inc., Furniture Brands International, Inc., Haverty Furniture Companies, Inc., La-Z-boy Inc., Legett & Platt, Inc., and Pier 1 Imports Inc. The returns of each company have been weighted according to each company's market capitalization.

Item 6. Selected Financial Data

The following table presents selected financial data for the fiscal years ended June 30, 2009, 2008, 2007, 2006 and 2005 which has been derived from our consolidated financial statements. The information set forth below should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations included under Item 7 of this Annual Report and our Consolidated Financial Statements (including the notes thereto) included under Item 8 of this Annual Report.

	Fiscal Year Ended June 30,				
	2009	2008	2007	2006	2005
Statement of Operations Data:					
Net sales	$ 674,277	$ 980,045	$ 1,005,312	$ 1,066,390	$ 949,012
Cost of sales	326,935	453,980	478,729	525,408	487,958
Selling, general and administrative expenses	353,112	423,229	402,022	394,069	332,295
Restructuring and impairment charges, net	67,001	6,836	13,442	4,241	(219)
Operating income (loss)	(72,771)	96,000	111,119	142,672	128,978
Interest and other expense (income), net	8,409	3,822	1,393	4,567	(442)
Income (loss) before income tax expense	(81,180)	92,178	109,726	138,105	129,420
Income tax expense (benefit)	(28,493)	34,106	40,499	52,423	50,082
Net income (loss)	$ (52,687)	$ 58,072	$ 69,227	$ 85,682	$ 79,338
Per Share Data:					
Net income (loss) per basic share	$ (1.83)	$ 1.98	$ 2.19	$ 2.58	$ 2.24
Basic weighted average shares outstanding	28,814	29,267	31,566	33,210	35,400
Net income (loss) per diluted share	$ (1.83)	$ 1.97	$ 2.15	$ 2.51	$ 2.19
Diluted weighted average shares outstanding	28,814	29,470	32,261	34,086	36,193
Cash dividends per share	$ 0.65	$ 0.88	$ 0.80	$ 0.72	$ 0.60
Other Information:					
Depreciation and amortization	$ 25,635	$ 24,670	$ 23,013	$ 21,599	$ 21,338
Capital expenditures and acquisitions	$ 23,903	$ 67,815	$ 74,370	$ 49,296	$ 34,381
Working capital	$ 139,239	$ 176,796	$ 234,990	$ 278,038	$ 130,423
Current ratio	2.24 to 1	2.30 to 1	2.59 to 1	2.88 to 1	1.97 to 1
Effective tax rate	35.1%	37.0%	36.9%	38.0%	38.7%
Balance Sheet Data (at end of period):					
Total assets	$ 646,485	$ 764,093	$ 802,598	$ 814,100	$ 628,386
Total debt, including capital lease obligations	203,148	203,029	202,908	202,787	12,510
Shareholders' equity	$ 305,923	$ 375,773	$ 409,642	$ 417,442	$ 434,068
Debt as a percentage of equity	66.4%	54.0%	49.5%	48.6%	2.9%
Debt as a percentage of capital	39.9%	35.1%	33.1%	32.7%	2.8%

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

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

Forward-Looking Statements

Management's discussion and analysis of financial condition and results of operations and other sections of this Annual Report contain forward-looking statements relating to our future results. Such forward-looking statements are identified by use of forward-looking words such as "anticipates", "believes", "plans", "estimates", "expects", and "intends" or words or phrases of similar expression. These forward-looking statements are subject to management decisions and various assumptions, risks and uncertainties, including, but not limited to: the effects of terrorist attacks or conflicts or wars involving the United States or its allies or trading partners; the effects of labor strikes; weather conditions that may affect sales; volatility in fuel, utility, transportation and security costs; changes in global or regional political or economic conditions, including changes in governmental and central bank policies; changes in business conditions in the furniture industry, including changes in consumer spending patterns and demand for home furnishings; effects of our brand awareness and marketing programs, including changes in demand for our existing and new products; our ability to locate new design center sites and/or negotiate favorable lease terms for additional design centers or for the expansion of existing design centers; competitive factors, including changes in products or marketing efforts of others; pricing pressures; fluctuations in interest rates and the cost, availability and quality of raw materials; those matters discussed in Items 1A and 7A of this Annual Report and in our SEC filings; and our future decisions. Accordingly, actual circumstances and results could differ materially from those contemplated by the forward-looking statements.

Critical Accounting Policies

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

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

Revenue Recognition **–** Revenue is recognized when all of the following have occurred: persuasive evidence of a sales arrangement exists (e.g. a wholesale purchase order or retail sales invoice); the sales arrangement specifies a fixed or determinable sales price; product is shipped or services are provided to the customer; and collectibility is reasonably assured. As such, revenue recognition occurs upon the shipment of goods to independent retailers or, in the case of Ethan Allen-operated retail design centers, upon delivery to the customer. Recorded sales provide for estimated returns and allowances. We permit our customers to return defective products and incorrect shipments, and terms we offer are standard for the industry.

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

Retail Design Center Acquisitions - We account for the acquisition of retail design centers and related assets in accordance with Statement of Financial Accounting Standards ("SFAS") No. 141, *Business Combinations*, which requires application of the purchase method for all business combinations initiated after June 30, 2001. Accounting for these transactions as purchase business combinations requires the allocation of purchase price paid to the assets acquired and liabilities assumed based on their fair values as of the date of the acquisition. The amount paid in excess of the fair value of net assets acquired is accounted for as goodwill.

Impairment of Long-Lived Assets and Goodwill **–** We periodically evaluate whether events or circumstances have occurred that indicate that long-lived assets may not be recoverable or that the remaining useful life may warrant revision. When such events or circumstances are present, we assess the recoverability of long-lived assets by determining whether the carrying value will be recovered through the expected undiscounted future cash flows resulting from the use of the asset. In the event the sum of the expected undiscounted future cash flows is less than the carrying value of the asset, an impairment loss equal to the excess of the asset's carrying value over its fair value is recorded. The long-term nature of these assets requires the estimation of cash inflows and outflows several years into the future and only takes into consideration technological advances known at the time of the impairment test.

In accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*, goodwill and other indefinite-lived intangible assets are evaluated for impairment on an annual basis and between annual tests whenever events or circumstances indicate that the carrying value of the goodwill or other intangible asset may exceed its fair value. We conduct our required annual impairment test during the fourth quarter of each fiscal year and use a discounted cash flow model to estimate fair value. This model requires the use of long-term planning forecasts and assumptions regarding industry-specific economic conditions that are outside our control.

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

Effective July 1, 2007, we adopted Financial Accounting Standards Board ("FASB") Interpretation No. ("FIN") 48, *Accounting for Uncertainty in Income Taxes*, an interpretation of FASB Statement No. 109, *Accounting for Income Taxes*, which provides a comprehensive model for the recognition, measurement, presentation, and disclosure in a company's financial statements of uncertain tax positions taken, or expected to be taken, on a tax return. If an income tax position exceeds a 50% probability of success upon tax audit, based solely on the technical merits of the position, the company recognizes an income tax benefit in its financial statements. The tax benefits recognized are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The liability associated with an unrecognized tax benefit is classified as a long-term liability except for the amount for which a cash payment is expected to be made or tax positions settled within one year. We recognize interest and penalties related to income tax matters as a component of income tax expense.

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

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

Basis of Presentation

As of June 30, 2009, Ethan Allen Interiors Inc. has no material assets other than its ownership of the capital stock of Ethan Allen Global, Inc. and conducts all significant transactions through Ethan Allen Global, Inc.; therefore, substantially all of the financial information presented herein is that of Ethan Allen Global, Inc.

Results of Operations

Our Company has been severely impacted by the ongoing recession in the United States and abroad. Continued weakness in the U.S. economy, high unemployment, volatile capital markets, depressed housing prices and tight consumer lending practices have driven consumer confidence down to, or near, historical lows and resulted in considerable negative pressure on spending by individual consumers, our primary customer base. The Company is continuing to adjust our infrastructure to match our sales volumes as we work through these difficult times.

Restructuring Activities:

In 2009, the Company made several announcements on changes to our operations as we continue to improve the structure of our business especially in light of the recent economic downturn. In January 2009, the Company announced a plan to consolidate the operations of its Eldred, Pennsylvania upholstery manufacturing plant and several of its retail service centers. In June 2009, the Company announced the consolidation of its Chino, California operations into its Maiden, North Carolina facility and the consolidation of its Andover, Maine sawmill and dimension mill to its Beecher Falls, Vermont sawmill and dimension mill operations. For these fiscal 2009 actions, the Company estimates pre-tax restructuring, impairment, and other related charges will ultimately approximate $30 million, consisting of $15 million in write down of long-lived assets, $8 million in employee severance and other payroll and benefit costs, and $7 million in other associated costs. By segment, we expect $23 million in costs for the wholesale segment and $7 million for the retail segment. Total costs for these 2009 actions in the current fiscal year by segment are $17.0 million for Wholesale, and $2.6 million for Retail all of which have been classified in the Statement of Operations as restructuring and impairment charges. Approximately 800 employee positions and 140 contract worker positions will be eliminated due to these actions.

In January 2008, we announced a plan to consolidate the operations of certain Company-operated retail design centers and retail service centers. In connection with this initiative, we have permanently ceased operations at ten design centers and six retail service centers which, for the most part, were consolidated into other existing operations. We also implemented our design team concept across the Retail division at the end of the fiscal year. We recorded pre-tax restructuring, impairment, and other related charges of $6.8 million for fiscal 2008, with $3.3 million for lease cancellation and other costs which will be paid out over periods ranging from less than one to seven years, $2.7 million, which was non-cash in nature, related to fixed asset impairment charges, primarily for real property and leasehold improvements, and $0.9 million was related to employee severance and benefits. During fiscal 2009, we recorded a net reduction of pre-tax restructuring, impairment, and other related charges of $1.0 million, primarily due to net gains on the sale of real estate of $4.2 million, partly offset by additional charges and adjustments to previous estimates for leased facilities of $2.3 million and employee severance, benefits and other charges of $0.5 million. Cumulative charges to date for these actions total $5.5 million, all of which have been classified in the Statement of Operations as restructuring and impairment charges. In addition to the Retail charges, $0.4 million was recorded in the first quarter of fiscal 2009 to update the fair value of a wholesale plant site held for sale.

On September 6, 2006, we announced a plan to close our Spruce Pine, North Carolina case goods manufacturing facility and convert our Atoka, Oklahoma upholstery manufacturing facility into a regional distribution center. The decision impacted approximately 465 employees. We recorded a pre-tax restructuring and impairment charge of $14.1 million during the quarter ended September 30, 2006, of which $4.0 million was related to employee severance and benefits and other plant exit costs, and $10.1 million of fixed asset impairment charges. During the first six months of fiscal 2007, adjustments totaling $0.4 million were recorded to reverse remaining previously established accruals which were no longer deemed necessary.

Analysis of Goodwill and Other Intangible Assets:

We conduct an annual impairment analysis of goodwill and other indefinite lived intangible assets the first of April each fiscal year, unless events occur or circumstances change that would more likely than not reduce the fair value of the goodwill or other indefinite lived intangible assets below their carrying value. In determining whether an interim test is appropriate, management considers several factors including changes in the Company's stock price, financial performance, third party ratings on its long term debt, and expected financial outlook of the business. Methods employed to value the enterprise and the Company's retail and wholesale segments include the market approach and the income approach, which are reconciled with the total market capitalization of the Company. These valuation methods use historical revenues and cash flows, as well as Company and external analysts' financial projections and apply discount rates, weighted average cost of capital rates, total invested capital multiples, and premium control multiples. Fair value of our trade name is valued using the relief-from-royalty method. Significant factors used in trade name valuation are royalty rates, future growth and discount rates, and expense rates.

In the fiscal quarter ended December 31, 2008, net sales declined 7.9% from the previous quarter and there was a meaningful decline (34.5%) in the company's average stock price from the first fiscal quarter to the second (from $26.35 to $17.27). This decline coupled with the sudden and dramatic change in the business climate as seen through the financial crisis with global banking institutions led to an interim evaluation of goodwill and other intangible assets. As a result of these tests, management concluded that the estimated value of the wholesale and retail segments exceeded their carrying values and no impairment was indicated.

In the fiscal quarter ended March 31, 2009, net sales declined 26.0% from the previous quarter resulting in a 660 basis point decline in gross margin plus a further decline (36.2%) in the company's average stock price (from $17.27 to $11.02). These declines coupled with a significant loss from operations led to a second interim evaluation of goodwill and other intangible assets. As a result of these tests, management concluded the carrying value of goodwill on our retail division's books exceeded its fair value. Therefore, we recorded a non-cash impairment charge of $48.4 million. No impairment of the goodwill or other indefinite lived assets on our wholesale division's books was appropriate.

In the fiscal quarter ended June 30, 2009, the Company performed its annual impairment test on April 1 and noted no additional impairment was appropriate. During the quarter, business performance stabilized with net sales slightly lower (1%) than the previous quarter, gross margin improved 160 basis points and there was a slight increase in cash on hand (to $53 million). The average price of our stock increased 9.8% (from $11.02 to $12.11). The ratings on the Company's long term debt were lowered by third parties to speculative grade and the Company updated its forecasts. The Company considered these factors and concluded that an interim impairment test was not required on the wholesale segment. No additional evaluation of the retail segment was appropriate as all goodwill was written off in the previous fiscal quarter.

There can be no assurance that the outcome of future reviews will not result in substantial impairment charges. Impairment assessment inherently involves judgments as to assumptions about expected future cash flows and the impact of market conditions on those assumptions. Future events and changing market conditions may impact our assumptions as to prices, costs or other factors that may result in changes in our estimates of future cash flows. Although we believe the assumptions we use in testing for impairment are reasonable, significant changes in any of our assumptions could produce a significantly different result.

Business Results:

Our revenues are comprised of (i) wholesale sales to independently operated and Company-operated retail design centers and (ii) retail sales of Company-operated design centers. See Note 16 to our Consolidated Financial Statements for the year ended June 30, 2009 included under Item 8 of this Annual Report.

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

	Fiscal Year Ended June 30,		
	2009	2008	2007
Revenue:			
Wholesale segment	$ 403.4	$ 616.2	$ 656.0
Retail segment	508.6	724.6	698.6
Elimination of inter-segment sales	(237.7)	(360.8)	(349.3)
Consolidated revenue	$ 674.3	$ 980.0	$ 1,005.3
Operating Income (loss):			
Wholesale segment (1)	$ 6.7	$ 100.3	$ 99.2
Retail segment (2)	(92.1)	(2.8)	15.2
Adjustment for inter-company profit(3)	12.6	(1.5)	(3.3)
Consolidated operating income	$ (72.8)	$ 96.0	$ 111.1

(1) Operating income for the Wholesale segment for the twelve months ended June 2009 and 2007 includes pre-tax restructuring and impairment charges of $17.4 million and $13.4 million, respectively.
(2) Operating income for the Retail segment for the twelve months ended June 2009 and 2008 includes pre-tax restructuring and impairment charges of $49.6 million and $6.8 million, respectively.
(3) Represents the change in the inventory profit elimination entry necessary to adjust for the embedded wholesale profit contained in Ethan Allen-operated design center inventory existing at the end of the period.

Fiscal 2009 Compared to Fiscal 2008

Consolidated revenue for the fiscal year ended June 30, 2009 decreased by $305.7 million, or 31.2%, to $674.3 million, from $980 million in fiscal 2008. Net sales for the period largely reflect the delivery of product associated with booked orders and backlog existing as of beginning of the period. During the year, sales were negatively affected by a weak retail environment for home furnishings which we believe is due to a number of factors including but not limited to continued weakness in the U.S. economy, high unemployment, volatile capital markets, depressed housing prices and tight consumer lending practices as well as the use of highly-promotional pricing strategies by the Company's competitors. These factors were partially offset by (i) the positive effects of our continued efforts to reposition the retail network, (ii) the introduction of our new American Artisan product line, (iii) several new marketing initiatives including the launching of our new interactive web site ethanalleninc.com and our rewards program, and in the latter part of the fiscal year, special savings pricing, and (iv) the continued use of national television media, where we emphasize to clients our interior design services and the full line of our quality product offerings.

Wholesale revenue for fiscal 2009 decreased by $212.9 million, or 34.5%, to $403.4 million from $616.2 million in the prior year. The year-over-year decrease was primarily attributable to a decline in the incoming order rate as a result of the softer retail environment for home furnishings noted throughout the current period and from fewer independent retail design centers, which decreased to 134 from 136 including four locations transferred in to the company's Retail division during the year.

Retail revenue from Ethan Allen-operated design centers for the twelve months ended June 30, 2009 decreased by $216.0 million, or 29.8%, to $508.6 million from $724.6 million for the twelve months ended June 30, 2008. The decrease in retail sales by Ethan Allen-operated design centers was attributable to a decrease in comparable design center delivered sales of $211.9 million, or 32.5%, and reduced revenue from sold and closed design centers of $64.4 million. This unfavorable variance was partially offset by higher sales generated by newly opened (including relocated) or acquired design centers of $60.4 million. The number of Ethan Allen-operated design centers remained at 159 at both June 30, 2009 and June 30, 2008. During that twelve month period, we acquired four design centers from independent retailers, and opened six new design centers (of which three were relocations).

Comparable design centers are those which have been operating for at least 15 months. Minimal net sales, derived from the delivery of customer ordered product, are generated during the first three months of operations of newly opened (including relocated) design centers. Design centers acquired by us from independent retailers are included in comparable design center sales in their 13th full month of Ethan Allen-operated operations.

Year-over-year, written business of Ethan Allen-operated design centers decreased 32.6% and comparable design center written business decreased 35.4%. Over that same period, wholesale orders decreased 35.4%. Retail written business reflects the softer retail environment for home furnishings noted throughout the current year, likely offset, to some degree, by (i) our continued efforts to reposition the retail network, (ii) recent product introductions, (iii) several new marketing initiatives described previously, and (iv) our continued use of national television as an advertising medium throughout much of the year.

Gross profit for fiscal 2009 declined to $347.3 million from $526.1 million in fiscal 2008. The $178.7 million decrease in gross profit was primarily attributable to a combined decline in both wholesale and retail sales volume of 31.2%, partially offset by a shift in sales mix with retail sales representing a higher proportionate share of total sales in the current full year (75.4%) as compared to the prior full year (73.9%). As a result of reduced sales, and to reduce inventories, manufacturing plants were operated at approximately 50% of capacity. This resulted in higher unabsorbed costs in our manufacturing plants which were charged to expense during the period. The consolidated gross margin decreased to 51.5% for fiscal 2009 from 53.7% in fiscal 2008 as a result, primarily, of the factors set forth above.

Operating profit, the elements of which are discussed in greater detail below, was impacted by the following items during the twelve months ended June 30, 2009 and 2008:

Operating expenses decreased $10.0 million, or 2.3%, to $420.1 million, or 62.3% of net sales, in fiscal 2009 from $430.1 million, or 43.9% of net sales, in fiscal 2008. Decreases in salary related costs were experienced due to the reduced number of employees and other cost cutting efforts taken by the Company that impacted bonuses and benefits. Advertising expenses decreased, while still maintaining our national TV and shelter magazine presence. Delivery and warehousing costs were lower due to decreased sales. Partially offsetting these decreases were (i) a non-cash goodwill impairment charge of $48.4 million recorded in the March 2009 quarter and (ii) an $11.8 million period-over-period increase in restructuring and impairment charges, both discussed earlier, and (iii) added costs of $7 million due to the implementation of the team concept which caused a temporary overlap of expenses and is now concluded.

Consolidated operating income for the year ended June 30, 2009 totaled a loss of $72.8 million, or 10.8% of net sales, compared to income of $96.0 million, or 9.8% of net sales, in the prior year. The decrease of $168.8 million was largely attributable to (i) a 31.2% reduction in net sales, resulting in a $178.7 million reduction in gross profit, (ii) a goodwill impairment charge, (iii) increased restructuring and impairment charges and (iv) net declines in other operating expenses, all of which were discussed previously.

Wholesale operating income for fiscal 2009 totaled $6.7 million, or 1.7% of net sales, as compared to $100.3 million, or 16.3% of net sales, in the prior year. The decrease of $93.7 million was primarily attributable to (i) the $212.9 reduction in net sales, and (ii) a $17.4 million increase in restructuring and impairment charges due to the 2009 actions discussed earlier.

Retail operating income decreased $89.3 million to a $92.1 million loss, or 18.1% of sales, for fiscal 2009, from a loss of $2.8 million, or 0.4% of sales, for fiscal 2008. The decrease in retail operating income generated by Ethan Allen-operated design centers was primarily attributable to reduced sales caused by the weak retail environment for home furnishings, as well as the $48.4 million goodwill impairment charge.

Interest and other miscellaneous income, net totaled $3.4 million in fiscal 2009 as compared to $7.9 million in fiscal 2008. The $4.5 million decrease was mostly due to lower investment income resulting from reduced cash and cash equivalent balances maintained along with lower rates of interest during the current period and by gains recorded in connection with the sale of selected real estate assets in the prior year.

Interest and other related financing costs remained largely unchanged at $11.8 million from $11.7 million in the prior year. This amount mostly consists of interest expense on our senior unsecured debt issued in September 2005.

Income tax totaled a benefit of $28.5 million for fiscal 2009 as compared to an expense of $34.1 million for fiscal 2008. Our effective tax rate for the current year was 35.1%, compared to 37.0% in the prior year. The effective tax rate was a result, primarily, of the total current year loss before tax and the resulting valuation allowance taken against certain deferred tax assets and the inability to apply the manufacturers' deduction provided for under The Jobs Creation Act of 2004.

Net income for fiscal 2009 was a loss of $52.7 million as compared to income of $58.1 million in fiscal 2008. Net loss per diluted share totaled $1.83 in the current year compared to net income of $1.97 per diluted share in the prior year.

Fiscal 2008 Compared to Fiscal 2007

Consolidated revenue for the fiscal year ended June 30, 2008 decreased by $25.3 million, or 2.5%, to $980 million, from $1.005 billion in fiscal 2007. Net sales for the period largely reflect the delivery of product associated with booked orders and backlog existing as of beginning of the period. During the year, sales were impacted by a weak retail environment for home furnishings, particularly during the latter half of the year. We believe this is due to continued weakening of consumer confidence with the current economic conditions in the U.S. and abroad. These factors were partially offset by (i) the positive effects of our continued efforts to reposition the retail network, (ii) new product introductions, and (iii) an increase in the continued use of national television as an advertising medium, where we emphasize to clients our interior design services and the full line of our quality product offerings.

We have made considerable investment within the retail network to strengthen the level of service, professionalism, interior design competence, efficiency, and effectiveness of retail design center personnel. The implementation of the "team" concept is the latest phase of that progression, which resulted in the development of over 280 interior design teams. We believe that with this structure along with the emphasis in our messaging to clients that we are here to "help as little or as much" as they like, as well as offering the benefit of making appointments with our design professionals, we continue to improve the customer service experience.

Wholesale revenue for fiscal 2008 decreased by $39.8 million, or 6.1%, to $616.2 million from $656.0 million in the prior year. The year-over-year decrease was primarily attributable to a decline in the incoming order rate as a result of the softer retail environment for home furnishings noted throughout much of the current period and from fewer independent retail design centers, which decreased to 136 from 155 including six locations transferred in to the company's Retail division during the year.

Retail revenue from Ethan Allen-operated design centers for the twelve months ended June 30, 2008 increased by $26.0 million, or 3.7%, to $724.6 million from $698.6 million for the twelve months ended June 30, 2007. The increase in retail sales by Ethan Allen-operated design centers was attributable to higher sales generated by newly opened (including relocated) or acquired design centers of $66.8 million. This favorable variance was partially offset by unfavorable variances related to a decrease in comparable design center delivered sales of $21.3 million, or 3.2%, and reduced revenue from sold and closed design centers of $19.5 million. The number of Ethan Allen-operated design centers increased to 159 as of June 30, 2008 as compared to 158 as of June 30, 2007. During that twelve month period, we acquired five design centers from, and opened one previously operated by independent retailers, and opened eighteen new design centers (of which eleven were relocations).

Comparable design centers are those which have been operating for at least 15 months. Minimal net sales, derived from the delivery of customer ordered product, are generated during the first three months of operations of newly opened (including relocated) design centers. Design centers acquired by us from independent retailers are included in comparable design center sales in their 13th full month of Ethan Allen-operated operations.

Year-over-year, written business of Ethan Allen-operated design centers increased 0.6% and comparable design center written business decreased 5.6%. Over that same period, wholesale orders decreased 8.0%. Retail written business reflects the softer retail environment for home furnishings noted throughout much of the current year, likely offset, to some degree, by (i) our continued efforts to reposition the retail network, (ii) recent product introductions, and (iii) our continued use of national television as an advertising medium throughout much of the year.

Gross profit for fiscal 2008 declined slightly to $526.1 million from $526.6 million in fiscal 2007. The $0.5 million decrease in gross profit was primarily attributable to a decline in wholesale sales volume partially offset by a shift in sales mix with retail sales representing a higher proportionate share of total sales in the current full year (74%) as compared to the prior full year (69%). The consolidated gross margin increased to 53.7% for fiscal 2008 from 52.4% in fiscal 2007 as a result, primarily, of the factors set forth above.

Operating profit, the elements of which are discussed in greater detail below, was impacted by the following items during the twelve months ended June 30, 2008 and 2007:

Operating expenses increased $14.6 million, or 3.5%, to $430.1 million, or 43.9% of net sales, in fiscal 2008 from $415.5 million, or 41.3% of net sales, in fiscal 2007. This increase was primarily attributable to increased costs associated with (i) occupancy, managerial salaries and benefits, and designer compensation largely because of our continued efforts to be located in more prominent locations and to upgrade our ability to provide professional service during the year, as well as (ii) the impact of higher fuel costs on warehousing and delivery. Partially offsetting these increases were (i) decreases in workers compensation insurance and health insurance and compensation costs as a result of improved claim experience, and (ii) a period-over-period reduction in the restructuring and impairment charges mentioned earlier.

Consolidated operating income for the year ended June 30, 2008 totaled $96.0 million, or 9.8% of net sales, compared to $111.1 million, or 11.1% of net sales, in the prior year. The decrease of $15.1 million was primarily attributable to higher period-over-period operating expenses discussed above, partially offset by (i) a reduction in restructuring and impairment charges and (ii) a small decline in gross profit, all of which were discussed previously.

Wholesale operating income for fiscal 2008 totaled $100.3 million, or 16.3% of net sales, as compared to $99.2 million, or 15.1% of net sales, in the prior year. The improvement of $1.1 million was primarily attributable to (i) the reduction in restructuring and impairment charges mentioned above, and (ii) improved performance within our remaining product sourcing operations, including a reduction in overhead as a result of past plant closures. These factors were partially offset by an overall decrease in wholesale shipments during the year.

Retail operating income decreased $18.0 million to a $2.8 million loss, or 0.4% of sales, for fiscal 2008, from $15.2 million, or 2.2% of sales, for fiscal 2007. The decrease in retail operating income generated by Ethan Allen-operated design centers was primarily attributable to higher operating expenses as a result of our continued efforts to reposition the retail network including the $6.8 million restructuring and impairment charges recorded in the year. These unfavorable variances were partially offset by higher gross profit on the higher sales recorded during the year.

Interest and other miscellaneous income, net totaled $7.9 million in fiscal 2008 as compared to $10.4 million in fiscal 2007. The $2.5 million decrease was mostly due to decreased investment income resulting from lower cash and short term investment balances maintained during the current period coupled with lower rates of interest.

Interest and other related financing costs remained largely unchanged at $11.7 million from $11.8 million in the prior year. This amount mostly consists of interest expense on our senior unsecured debt issued in September 2005.

Income tax expense totaled $34.1 million for fiscal 2008 as compared to $40.5 million for fiscal 2007. Our effective tax rate for the current year was 37.0%, compared to 36.9% in the prior year. The effective tax rate was a result, primarily, of the adverse effects of recently-enacted changes within certain state tax legislation, increased state income tax liability arising in connection with the operation of a greater number of Company-operated design centers, and increased foreign income tax liability associated with our five retail design centers operating in Canada and our manufacturing operation in Mexico. Partially offsetting these items were the benefits derived from the manufacturers' deduction provided for under The Jobs Creation Act of 2004 and certain tax planning initiatives.

Net income for fiscal 2008 was of $58.1 million as compared to $69.2 million in fiscal 2007. Net income per diluted share totaled $1.97 in the current year and $2.15 per diluted share in the prior year.

Liquidity and Capital Resources

As of June 30, 2009, we held cash and cash equivalents totaling $53.0 million. Our principal sources of liquidity include cash and cash equivalents, cash flow from operations, and borrowing capacity under revolving credit facility.

During fiscal 2009, the Company terminated its unsecured $200 million revolving credit facility which had never been used for other than support of outstanding letters of credit. On May 29, 2009, we entered into a three-year secured $40 million asset-based revolving credit facility (the "Facility") with fewer covenant restrictions which the Company believes to be more appropriate in the current credit environment. The Facility is subject to borrowing base availability and includes an opportunity for expansion of up to an additional $20 million of financing.

At the Company's option, revolving loans under the Agreement bear interest at an annual rate of either:

(a) London Interbank Offered rate ("LIBOR") plus 3.25% to 4.25%, based on the average availability, or
(b) the higher of (i) a prime rate, (ii) the federal funds effective rate plus 0.50%, or (iii) a LIBOR plus 1.00% plus, in each case, an additional 2.25% to 3.25%, based on average availability.

The Company will pay a commitment fee of 0.50% per annum on the unused portion of the Facility and participation fees on issued letters of credit at an annual rate of 1.625% to 4.25%, based on the average availability and the letter of credit type, and a fronting fee of 0.125% per annum.

The borrowing base at any time equals the sum of: up to 90% of eligible credit card receivables; plus up to 85% of eligible accounts receivable; plus up to 85% of the net orderly liquidation value of eligible inventory. The Facility is secured by all property owned, leased or operated by the Company in the United States excluding any real property owned by the Company and also excludes any intellectual property owned by the Company unless availability is less than or equal to $17.5 million.

The Facility contains customary covenants which may limit the Company's ability to incur debt; engage in mergers and consolidations; make restricted payments (including dividends); sell certain assets; and make investments. The Company may make restricted payments (including dividends) as long as availability equals or exceeds the greater of (i) 25% of the aggregate commitment or (ii) $12 million. If the average monthly availability is less than the greater of (i) 15% of the aggregate commitment and (ii) $9 million, the Company is also required to meet a fixed charge coverage ratio financial covenant which may not be less than 1 to 1 for any period of four consecutive fiscal quarters. The Facility also contains customary borrowing conditions and events of default, the occurrence of which would entitle the lenders to accelerate the maturity of any outstanding borrowings and terminate their commitment to make future loans.

In addition, on September 27, 2005, we completed a private offering of $200.0 million in ten-year senior unsecured notes due 2015 (the "Senior Notes"). The Senior Notes were offered by Ethan Allen Global, Inc. ("Global"), a wholly-owned subsidiary of the Company, and have an annual coupon rate of 5.375%. We have used the net proceeds of $198.4 million to expand our retail network, invest in our manufacturing and logistics operations, and for other general corporate purposes.

In June 2009, Moodys Investors Service lowered our corporate and senior unsecured credit ratings to Ba1 from Baa3, and Standard & Poor's ("S&P") lowered our corporate and senior unsecured credit ratings to BB from BBB-. Both rating services cited the weak economy and the resultant pressure on the home furnishings industry as reasons for the downgrade. While the change in our credit rating had no impact on our existing credit facilities, the S&P downgrade, if not improved to investment grade by March 2010, the issuer of our private label credit cards has a right to demand a standby letter of credit of up to $12 million. At June 30, 2009, we had $12.5 million in letters of credit outstanding, leaving $27.5 million remaining available credit under the revolver. Any additional letters of credit would reduce the credit available for borrowings under the revolver.

The Company believes it has sufficient cash and access to credit (including its ability to expand the $40 million credit facility to up to $60 million) to fund its operations and growth plans.

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

	Fiscal Year Ended June 30,		
	2009	2008	2007
Operating Activities			
Net income plus depreciation and amortization	$ (27.1)	$ 82.7	$ 92.2
Working capital	24.8	(5.5)	20.9
Excess tax benefits from share-based payment arrangements	-	(2.1)	(5.0)
Other (non-cash items, long-term assets and liabilities)	24.2	11.0	11.1
Total provided by operating activities	$ 21.9	$ 86.1	$ 119.2
Investing Activities			
Capital expenditures	$ (22.5)	$ (60.0)	$ (59.0)
Acquisitions	(1.4)	(7.8)	(15.3)
Asset sales	6.4	6.9	5.4
Other	-	(0.5)	0.2
Total used in investing activities	$ (17.5)	$ (61.3)	$ (68.7)
Financing Activities			
Issuances of common stock	$ -	$ 0.5	$ 0.5
Purchases and retirement of company stock	-	(75.6)	(57.2)
Payment of cash dividends	(23.6)	(25.5)	(24.8)
Excess tax benefits from share-based payment arrangements	-	2.1	5.0
Payment of deferred financing costs	(1.4)	-	(0.1)
Total provided by (used in) financing activities	$ (25.0)	$ (98.5)	$ (76.6)

Operating Activities

During fiscal 2009, cash provided by operating activities decreased $64.2 million, mostly because of the decrease in net income. While expenses were reduced and restructuring actions were taken to counteract these conditions, cash savings in the current year were not enough to offset reduced income. Cash generated from working capital (accounts receivable, inventories, prepaid and other current assets, customer deposits, payables, accrued expenses, and other current liabilities) reduction, increased cash by $30.3 million largely from inventory reduction initiatives taken. The $13.2 million change from other operating activities was largely driven by the non-cash restructuring and goodwill impairment charges net of tax effects recorded this fiscal year.

Investing Activities

In fiscal 2009, cash used in investing activities was lower by $43.8 million due, primarily, to a $37.5 million decrease in cash utilized to fund capital expenditures. The level of acquisitions decreased $6.4 million in fiscal 2009 as compared to fiscal 2008. The current level of capital spending is principally attributable to (i) continued design center development and renovation, but at a reduced level from the prior two years, and (ii) entity-wide technology initiatives including the new interactive website. We anticipate that cash from operations will be sufficient to fund future capital expenditures, business conditions permitting.

Financing Activities

For fiscal 2009, cash used in financing activities decreased $73.5 million as a result, primarily, of a curtailment in payments for the acquisition of treasury stock. On July 21, 2009, we declared a dividend of $0.05 per common share, payable on October 26, 2009, to shareholders of record as of October 9, 2009. We expect to continue to declare quarterly dividends for the foreseeable future.

As of June 30, 2009, our outstanding debt totaled $203.1 million, the current and long-term portions of which amounted to less than $0.1 million and $203.1 million, respectively. The aggregate scheduled maturities of long-term debt for each of the next five fiscal years are: less than $0.1 million in fiscal 2010; $3.9 million in fiscal 2011; and less than $0.1 million in fiscal 2012, 2013 and 2014. The balance of our long-term debt ($199.2 million) matures in fiscal 2015. We had no revolving loans outstanding under the credit facility as of June 30, 2009, and stand-by letters of credit outstanding under the facility at that date totaled $12.5 million. Remaining available borrowing capacity under the facility was $27.5 million at June 30, 2009.

The following table summarizes, as of June 30, 2009, the timing of cash payments related to our outstanding contractual obligations (in thousands):

	Total	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years
Long-term debt obligations:					
Debt maturities	$ 203,148	$ 42	$ 3,917	$ 22	$ 199,167
Contractual interest	70,519	11,048	21,802	21,511	16,158
Operating lease obligations	234,518	36,863	59,636	41,068	96,951
Letters of credit	12,460	12,460	-	-	-
Purchase obligations (1)	-	-	-	-	-
Other long-term liabilities	249	30	51	48	120
Total contractual obligations	$ 520,894	$ 60,443	$ 85,406	$ 62,649	$ 312,396

(1) For purposes of this table, purchase obligations are defined as agreements that are enforceable and legally binding and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. While we are not a party to any significant long-term supply contracts or purchase commitments, we do, in the normal course of business, regularly initiate purchase orders for the procurement of (i) selected finished goods sourced from third-party suppliers, (ii) lumber, fabric, leather and other raw materials used in production, and (iii) certain outsourced services. All purchase orders are based on current needs and are fulfilled by suppliers within short time periods. At June 30, 2009, our open purchase orders with respect to such goods and services totaled approximately $22 million.

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

We believe that our cash flow from operations, together with our other available sources of liquidity, will be adequate to make all required payments of principal and interest on our debt, to permit anticipated capital expenditures, and to fund working capital and other cash requirements. As of June 30, 2009, we had working capital of $139.2 million and a current ratio of 2.24 to 1.

In addition to using available cash to fund changes in working capital, necessary capital expenditures, acquisition activity, the repayment of debt, and the payment of dividends, we have been authorized by our Board of Directors to repurchase our common stock, from time to time, either directly or through agents, in the open market at prices and on terms satisfactory to us. All of our common stock repurchases and retirements are recorded as treasury stock and result in a reduction of shareholders' equity.

During fiscal 2009, 2008 and 2007, we repurchased and/or retired the following shares of our common stock:

	2009	2008 (1)	2007(2)(3)
Common shares repurchased	-	2,259,631	1,548,700
Cost to repurchase common shares	-	$69,745,024	$53,955,970
Average price per share	-	$30.87	$34.84

(1) During fiscal 2008, we also retired 661,688 shares of common stock tendered upon the exercise of outstanding employee stock options (592,861 to cover share exercise and 68,827 to cover related employee tax withholding liabilities). The value of such shares on the date redeemed was $23,033,359, representing an average price per share of $34.81.
(2) The cost to repurchase shares in fiscal 2008 reflects $3,436,230 in common stock repurchases with a June 2007 trade date and a July 2007 settlement date.
(3) During fiscal 2008, we also retired 555,531 shares of common stock tendered upon the exercise of outstanding employee stock options (410,073 to cover share exercise and 145,458 to cover related employee tax withholding liabilities). The value of such shares on the date redeemed was $21,506,193, representing an average price per share of $38.71.

For each of the fiscal years presented above, we funded our purchases of treasury stock with existing cash on hand and cash generated through current period operations. During the last three fiscal years, the Board of Directors increased the then remaining share repurchase authorization as follows: to 2.5 million shares on November 15, 2005; to 2.5 million shares on July 25, 2006; to 2.5 million shares on July 24, 2007 and to 2.0 million shares on November 13, 2007. As of June 30, 2009, we had a remaining Board authorization to repurchase 1.6 million shares.

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

Except as indicated below, we do not utilize or employ any off-balance sheet arrangements, including special-purpose entities, in operating our business. As such, we do not maintain any (i) retained or contingent interests, (ii) derivative instruments, or (iii) variable interests which could serve as a source of potential risk to our future liquidity, capital resources and results of operations.

We may, from time to time in the ordinary course of business, provide guarantees on behalf of selected affiliated entities or become contractually obligated to perform in accordance with the terms and conditions of certain business agreements. The nature and extent of these guarantees and obligations may vary based on our underlying relationship with the benefiting party and the business purpose for which the guarantee or obligation is being provided. Details of those arrangements for which we act as guarantor or obligor are provided below.

Retailer-Related Guarantees

Independent Retailer Credit Facility
On June 11, 2009, we obligated ourselves, on behalf of one of our independent retailers, with respect to a $0.5 million credit facility (the "Amended Credit Facility"). The Company had previously guaranteed on April 9, 2009, on behalf of the independent retailer, a $0.9 million credit facility (the “Credit Facility”). This obligation requires us, in the event of the retailer’s default under the Amended Credit Facility, to repurchase the retailer’s inventory, applying such purchase price to the retailer’s outstanding indebtedness under the Amended Credit Facility. Our obligation remains in effect for the life of the term loan. The agreement expires in April 2011. The maximum potential amount of future payments (undiscounted) that we could be required to make under this obligation is limited to the amount outstanding under the Credit Facility at the time of default (subject to pre-determined lending limits based on the value of the underlying inventory) and, as such, is not an estimate of future cash flows. No specific recourse or collateral provisions exist that would enable recovery of any portion of amounts paid under this obligation, except to the extent that we maintain the right to take title to the repurchased inventory. We anticipate that the repurchased inventory could subsequently be sold through our retail design center network.

As of June 30, 2009, the amount outstanding under the Amended Credit Facility totaled approximately $0.5 million. Based on the underlying creditworthiness of the respective retailer, we believe this obligation will expire without requiring funding by us. However, in accordance with the provisions of FASB Interpretation No. 45, *Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*, a liability has been established to reflect our non-contingent obligation under this arrangement as a result of modifications made to the Credit Facility subsequent to January 1, 2003. As of June 30, 2009, the carrying amount of such liability is less than $50,000.

Ethan Allen Consumer Credit Program

The terms and conditions of our consumer credit program, which is financed and administered by a third-party financial institution on a non-recourse basis to Ethan Allen, are set forth in an agreement between us and that financial service provider (the "Program Agreement"). Any independent retailer choosing to participate in the consumer credit program is required to enter into a separate agreement with that same third-party financial institution which sets forth the terms and conditions under which the retailer is to perform in connection with its offering of consumer credit to its customers (the "Retailer Agreement"). We have obligated ourselves on behalf of any independent retailer choosing to participate in our consumer credit program by agreeing, in the event of default, breach, or failure of the independent retailer to perform under such Retailer Agreement, to take on certain responsibilities of the independent retailer, including, but not limited to, delivery of goods and reimbursement of customer deposits. Customer receivables originated by independent retailers remain non-recourse to Ethan Allen. Our obligation remains in effect for the term of the Program Agreement which expires in July 2012. While the maximum potential amount of future payments (undiscounted) that we could be required to make under this obligation is indeterminable, recourse provisions exist that would enable us to recover, from the independent retailer, any amount paid or incurred by us related to our performance. Based on the underlying creditworthiness of our independent retailers, including their historical ability to satisfactorily perform in connection with the terms of our consumer credit program, we believe this obligation will expire without requiring funding by us. To ensure funding for delivery of products sold, the terms of this agreement also contain a right for the credit card issuer to demand from the Company a letter of credit of up to $12 million if the Company's credit rating is below investment grade for more than 270 consecutive days. See the *Liquidity and Capital Resource* section above for more information.

Product Warranties

Our products, including our case goods, upholstery and home accents, generally carry explicit product warranties that extend from three to five years and are provided based on terms that are generally accepted in the industry. All of our domestic independent retailers are required to enter into, and perform in accordance with the terms and conditions of, a warranty service agreement. We record provisions for estimated warranty and other related costs at time of sale based on historical warranty loss experience and make periodic adjustments to those provisions to reflect actual experience. On rare occasion, certain warranty and other related claims involve matters of dispute that ultimately are resolved by negotiation, arbitration or litigation. In certain cases, a material warranty issue may arise which is beyond the scope of our historical experience. We provide for such warranty issues as they become known and are deemed to be both probable and estimable. It is reasonably possible that, from time to time, additional warranty and other related claims could arise from disputes or other matters beyond the scope of our historical experience. As of June 30, 2009, the Company's product warranty liability totaled $1.0 million.

Impact of Inflation

We believe inflation had an impact on our business the last three fiscal years but we have generally been able to increase prices, create operational efficiencies, or seek lower cost alternatives in order to offset increases in operating costs and effectively manage our working capital.

Business Outlook

While we cannot forecast, with any degree of certainty, changes in the various macro-economic factors that influence the incoming order rate, we believe that we are well-positioned both for the possibility of continued market weakness and the next phase of economic growth based upon our existing business model which includes: (i) an established brand; (ii) a comprehensive complement of home decorating solutions; and (iii) a vertically-integrated operating structure.

As macro-economic factors change, however, it is also possible that our costs associated with production (including raw materials and labor), distribution (including freight and fuel charges), and retail operations (including compensation and benefits, delivery and warehousing, occupancy, and advertising expenses) may increase. We cannot reasonably predict when, or to what extent, such events may occur or what effect, if any, such events may have on our consolidated financial condition or results of operations.

The home furnishings industry remains extremely competitive with respect to both the sourcing of products and the retail sale of those products. Domestic manufacturers continue to face pricing pressures as a result of the manufacturing capabilities developed during recent years in other countries, specifically within Asia. In response to these pressures, a large number of U.S. furniture manufacturers and retailers, including us, have increased their overseas sourcing activities in an attempt to maintain a competitive advantage and retain market share. At the present time, we domestically manufacture and/or assemble approximately 65% of our products. We continue to believe that a balanced approach to product sourcing, which includes the domestic manufacture of certain product offerings coupled with the import of other selected products, provides the greatest degree of flexibility and is the most effective approach to ensuring that acceptable levels of quality, service and value are attained.

In addition, we believe that our retail strategy, which involves (i) a continued focus on providing a wide array of product solutions and superior customer service, (ii) the opening of new or relocated design centers in more prominent locations, while encouraging independent retailers to do the same, (iii) the implementation of design teams within our retail network, and (iv) further expansion internationally, provides an opportunity to further grow our business.

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

Recent Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations* (SFAS No. 141(R)), which replaces SFAS No. 141. SFAS No. 141(R) establishes principles and requirements for how an acquirer in a business combination recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any controlling interest; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141(R) is to be applied prospectively to business combinations for which the acquisition date is on or after an entity's fiscal year that begins after December 15, 2008 (July 1, 2009 for the Company). The impact of this Statement on the Company’s financial position, results of operations and cash flows will be dependent on the terms, conditions and details of such acquisitions.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, which allows the Company to choose to measure selected financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. We adopted SFAS No. 159 on July 1, 2008 and have not elected the permitted fair value measurement provisions of this statement.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (“SFAS No. 157”), which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements, yet does not require any new fair value measurements. In February 2008, the FASB issued FASB Staff Position No. 157-2 (“FSP No. 157-2”), which delayed the effective date of SFAS No. 157 as it relates to non-financial assets and non-financial liabilities until July 1, 2009 for the Company, except for items that are recognized or disclosed at fair value by the Company on a recurring basis. Effective July 1, 2008, the Company adopted the provisions of SFAS No. 157, except as it relates to those non-financial assets and non-financial liabilities excluded under FSP No. 157-2. Those excluded items for which the

Company has not applied the fair value provisions of SFAS No. 157 include goodwill and other intangible assets (note 6), assets held for sale (note 2), liabilities for exit or disposal activities (note 2), and business acquisitions (note 3). The Company is currently evaluating the impact of this statement on the Company's financial position, results of operations and cash flows as it relates to non-financial assets and non-financial liabilities. This pronouncement became effective for us on July 1, 2008. See note 18 for more information.

In June 2008, the FASB issued FASB Staff Position No. EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities*, which requires that unvested share-based payment awards containing non-forfeited rights to dividends be included in the computation of earnings per common share. The adoption of FSB EITF 03-6-1 is effective for fiscal years beginning after December 15, 2008 and interim periods within those fiscal years (July 1, 2009 for the Company). Retrospective application is required. We are evaluating this pronouncement but do not expect it to impact basic or diluted earnings per share.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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

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

For floating-rate obligations, interest rate changes do not affect the fair value of the underlying financial instrument but do impact future earnings and cash flows, assuming other factors are held constant. Conversely, for fixed-rate obligations, interest rate changes affect the fair value of the underlying financial instrument but do not impact earnings or cash flows. At June 30, 2009, we had no floating-rate debt obligations outstanding. As of that same date, our fixed-rate debt obligations consist, primarily, of the Senior Notes issued on September 27, 2005. The estimated fair value of the Senior Notes as of June 30, 2009, which is based on changes, if any, in interest rates and our creditworthiness subsequent to the date on which the debt was issued, and which has been determined using quoted market prices, was $146 million as compared to a carrying value of $199 million.

Foreign currency exchange risk is primarily limited to our operation of five Ethan Allen-operated retail design centers located in Canada as substantially all purchases of imported parts and finished goods are denominated in United States dollars. As such, gains or losses resulting from market changes in the value of foreign currencies have not had, nor are they expected to have, a material effect on our consolidated results of operations.

Historically, we have not entered into financial instrument, including derivative, transactions for trading or other speculative purposes or to manage interest rate or currency exposure. However, in connection with the issuance of the Senior Notes, Global, in July and August 2005, entered into 6 separate forward contracts to hedge the risk-free interest rate associated with $108.0 million of the related debt in order to minimize the negative impact of interest rate fluctuations on earnings, cash flows and equity. The forward contracts were entered into with a major banking institution thereby mitigating the risk of credit loss. Upon issuance of the Senior Notes in September 2005, the related forward contracts were settled. At the present time, we have no current plans to engage in further hedging activities.

Item 8. Financial Statements and Supplementary Data

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

Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of Ethan Allen Interiors Inc. and subsidiaries (the "Company") as of June 30, 2009 and 2008, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the years in the three-year period ended June 30, 2009. We also have audited the Company's internal control over financial reporting as of June 30, 2009, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

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

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

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ethan Allen Interiors Inc. and subsidiaries as of June 30, 2009 and 2008, and the results of its operations and their cash flows for each of the years in the three-year period ended June 30, 2009, in conformity with U.S. generally accepted accounting principles. Also in our opinion, Ethan Allen Interiors, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of June 30, 2009, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

As discussed in Notes 1 and 12 to the consolidated financial statements, effective July 1, 2007, the Company adopted FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109.

/s/ KPMG LLP

Stamford, Connecticut
August 24, 2009

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES
Consolidated Balance Sheets
June 30, 2009 and 2008
(In thousands, except share data)

	2009	2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 52,960	$ 74,376
Accounts receivable, less allowance for doubtful accounts of $1,362 at June 30, 2009 and $2,535 at June 30, 2008	13,086	12,672
Inventories (note 4)	156,519	186,265
Prepaid expenses and other current assets	21,060	32,860
Deferred income taxes (note 12)	8,077	6,125
Total current assets	251,702	312,298
Property, plant and equipment, net (note 5)	333,599	350,432
Goodwill and other intangible assets (notes 3 and 6)	45,128	96,823
Other assets	16,056	4,540
Total assets	$ 646,485	$ 764,093
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt (note 7)	$ 42	$ 41
Customer deposits	31,691	47,297
Accounts payable	22,199	26,444
Accrued compensation and benefits	29,533	32,568
Accrued expenses and other current liabilities	28,998	29,152
Total current liabilities	112,463	135,502
Long-term debt (note 7)	203,106	202,988
Other long-term liabilities	24,993	27,924
Deferred income taxes (note 12)	-	21,906
Total liabilities	340,562	388,320
Shareholders' equity (notes 9, 10, 11 and 15):		
Class A common stock, par value $.01, 150,000,000 shares authorized, 48,334,870 shares issued at June 30, 2009 and 48,251,780 shares issued at June 30, 2008	483	482
Class B common stock, par value $.01, 600,000 shares authorized; no shares issued and outstanding at June 30, 2009 and June 30, 2008	-	-
Preferred stock, par value $.01, 1,055,000 shares authorized, no shares issued and outstanding at June 30, 2009 and 2008	-	-
Additional paid-in capital	356,446	354,725
	356,929	355,207
Less: Treasury stock (at cost), 19,380,941 shares at June 30, 2009 and 19,656,901 shares at June 30, 2008	(583,220)	(588,783)
Retained earnings	531,747	606,648
Accumulated other comprehensive income	467	2,701
Total shareholders' equity	305,923	375,773
Total liabilities and shareholders' equity	$ 646,485	$ 764,093

See accompanying notes to consolidated financial statements.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES
Consolidated Statements of Operations
For Years Ended June 30, 2009, 2008 and 2007
(In thousands, except per share data)

	2009	2008	2007
Net Sales	$ 674,277	$ 980,045	$1,005,312
Cost of sales	326,935	453,980	478,729
Gross profit	347,342	526,065	526,583
Operating expenses:			
Selling	182,800	229,590	223,146
General and administrative	170,312	193,639	178,876
Goodwill impairment (note 6)	48,400	-	-
Restructuring and impairment charge (note 2)	18,601	6,836	13,442
Total operating expenses	420,113	430,065	415,464
Operating income (loss)	(72,771)	96,000	111,119
Interest and other miscellaneous income, net	3,355	7,891	10,369
Interest and other related financing costs (note 7)	11,764	11,713	11,762
Income (loss) before income taxes	(81,180)	92,178	109,726
Income tax expense (benefit) (note 12)	(28,493)	34,106	40,499
Net income (loss)	$ (52,687)	$ 58,072	$ 69,227
Per share data (notes 10 and 17):			
Net income (loss) per basic share	$ (1.83)	$ 1.98	$ 2.19
Basic weighted average common shares	28,814	29,267	31,566
Net income (loss) per diluted share	$ (1.83)	$ 1.97	$ 2.15
Diluted weighted average common shares	28,814	29,470	32,261
Dividends declared per common share	$ 0.65	$ 0.88	$ 0.80

See accompanying notes to consolidated financial statements.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the years Ended June 30, 2009, 2008 and 2007
(In thousands)

	2009	2008	2007
Operating activities			
Net income (loss)	$ (52,687)	$ 58,072	$ 69,227
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	25,635	24,670	23,013
Compensation expense related to share-based awards	1,719	1,260	821
Provision (benefit) for deferred income taxes	(32,158)	(2,364)	200
Excess tax benefits from shared-based awards	-	(2,093)	(5,015)
Goodwill impairment	48,400	-	-
Restructuring and impairment charge	7,038	1,762	9,439
(Gain) loss on disposal of property, plant and equipment	1,001	110	(391)
Other	198	221	500
Changes in operating assets and liabilities, net of effects of acquired businesses:			
Accounts receivable	(776)	618	6,677
Inventories	31,428	(91)	14,531
Prepaid and other current assets	10,627	3,626	220
Other assets	1,354	660	657
Customer deposits	(16,266)	(9,086)	(4,201)
Accounts payable	(3,835)	3,230	(4,334)
Accrued expenses and other current liabilities	3,590	(3,784)	7,993
Other liabilities	(3,335)	9,326	(148)
Net cash provided by operating activities	21,933	86,137	119,189
Investing activities:			
Proceeds from the disposal of property, plant and equipment	6,384	6,943	5,431
Capital expenditures	(22,537)	(60,038)	(59,073)
Acquisitions	(1,366)	(7,777)	(15,297)
Other	(7)	(462)	198
Net cash used in investing activities	(17,526)	(61,334)	(68,741)
Financial activities:			
Payments on long-term debt and capital lease obligations	(41)	(40)	(38)
Purchases and retirements of company stock	-	(75,577)	(57,152)
Proceeds from the issuance of common stock	2	474	521
Excess tax benefits from share-based payment arrangements	-	2,093	5,015
Payment of deferred financing costs	(1,380)	-	(107)
Payment of cash dividends	(23,617)	(25,495)	(24,797)
Net cash used in financing activities	(25,036)	(98,545)	(76,558)
Effect of exchange rate changes on cash	(787)	239	188
Net increase (decrease) in cash and cash equivalents	(21,416)	(73,503)	(25,922)
Cash and cash equivalents – beginning of year	74,376	147,879	173,801
Cash and cash equivalents – end of year	$ 52,960	$ 74,376	$ 147,879
Supplemental cash flow information:			
Income taxes paid	$ 8,237	$ 33,618	$ 37,561
Interest paid	$ 11,098	$ 11,132	$ 11,173

See accompanying notes to consolidated financial statements.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES
Consolidated Statements of Shareholders' Equity
For the Years Ended June 30, 2009, 2008 and 2007
(In thousands, except share data**)**

	Common Stock	Additional Paid-in Capital	Treasury Stock	Accumulated Other Compre-hensive Income	Retained Earnings	Total
Balance as of June 30, 2006	$ 467	$ 307,852	$ (421,308)	$ 935	$ 529,496	$ 417,442
Issuance of 767,938 common shares upon the exercise of share-based awards (notes 9 and 11)	7	16,388	-	-	-	16,395
Compensation expense associated with share-based awards (notes 9 and 11)	-	821	-	-	-	821
Tax benefit associated with exercise of share-- based awards (notes 9, 11 and 12)	-	5,015	-	-	-	5,015
Charge for early vesting of share-based awards	-	22	-	-	-	22
Treasury shares issued in connection with retail design center acquisition (26,269 shares) (note 3)	-	170	765	-	-	935
Purchase/retirement of 2,104,231 shares of company stock (note 9)	-	-	(75,462)	-	-	(75,462)
Dividends declared on common stock	-	-	-	-	(25,188)	(25,188)
Other comprehensive income (loss) (notes 7 and 15)						
Currency translation adjustments	-	-	-	387	-	387
Loss on derivatives, net-of-tax	-	-	-	48	-	48
Net income	-	-	-	-	69,227	69,227
Total comprehensive income						69,662
Balance as of June 30, 2007	474	330,268	(496,005)	1,370	573,535	409,642
Issuance of 770,337 common shares upon the exercise of share-based awards (notes 9 and 11)	8	21,104	-	-	-	21,112
Compensation expense associated with share-based awards (notes 9 and 11)	-	1,260	-	-	-	1,260
Tax benefit associated with exercise of share-based awards (notes 9, 11 and 12)	-	2,093	-	-	-	2,093
FIN 48 transition adjustment	-	-	-	-	683	683
Purchase/retirement of 2,921,319 shares of company stock (note 9)	-	-	(92,778)	-	-	(92,778)
Dividends declared on common stock	-	-	-	-	(25,642)	(25,642)
Other comprehensive income (loss) (notes 7 and 15)						
Currency translation adjustments	-	-	-	1,283	-	1,283
Loss on derivatives, net-of-tax	-	-	-	48	-	48
Net income	-	-	-	-	58,072	58,072
Total comprehensive income						59,403
Balance as of June 30, 2008	482	354,725	(588,783)	2,701	606,648	375,773
Issuance of 90 common shares upon the exercise of share-based awards (notes 9 and 11)	1	2	-	-	-	3
Compensation expense associated with share-based awards (notes 9 and 11)	-	1,719	-	-	-	1,719
Tax benefit associated with exercise of share-based awards (notes 9, 11 and 12)	-	-	-	-	-	-
Issuance of treasury shares for 401k match	-	-	5,563	-	(3,431)	2,132
Dividends declared on common stock	-	-	-	-	(18,783)	(18,783)
Other comprehensive income (loss) (note 15)						
Currency translation adjustments	-	-	-	(2,282)	-	(2,282)
Loss on derivatives, net-of-tax	-	-	-	48	-	48
Net income (loss)	-	-	-	-	(52,687)	(52,687)
Total comprehensive income (loss)						(54,921)
Balance at June 30, 2009	$ 483	$ 356,446	$ (583,220)	$ 467	$ 531,747	$ 305,923

See accompanying notes to consolidated financial statements.

(1) Summary of Significant Accounting Policies

Basis of Presentation

Ethan Allen Interiors Inc. ("Interiors") is a Delaware corporation incorporated on May 25, 1989. The consolidated financial statements include the accounts of Interiors, its wholly-owned subsidiary Ethan Allen Global, Inc. ("Global"), and Global's subsidiaries (collectively "We," "Us," "Our," "Ethan Allen" or the "Company"). All intercompany accounts and transactions have been eliminated in the consolidated financial statements. All of Global's capital stock is owned by Interiors, which has no assets or operating results other than those associated with its investment in Global.

Nature of Operations

We are a leading manufacturer and retailer of quality home furnishings and accessories, offering a full complement of home decorating and design solutions. We sell our products through one of the country's largest home furnishing retail networks with a total of 293 retail design centers, of which 159 are Company-operated and 134 are independently operated. Nearly all of our Company-operated retail design centers are located in the United States, with the remaining design centers located in Canada. The majority of the independently operated design centers are also located in the United States, with the remaining design centers located throughout Asia, Canada and the Middle East. We have ten manufacturing facilities, two of which include separate sawmill operations, located throughout the United States and one in Mexico.

Use of Estimates

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

Reclassifications

Certain prior year amounts have been reclassified in order to conform to the current year's presentation. These changes were made for disclosure purposes only and did not have any impact on previously reported results of operations or shareholders' equity.

Cash Equivalents

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

Inventories

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

Property, Plant and Equipment

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

Operating Leases

We account for our operating leases in accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 13, *Accounting for Leases*, which require minimum lease payments be recognized on a straight-line basis, beginning on the date that the lessee takes possession or control of the property. A number of our operating lease agreements contain provisions for tenant improvement allowances, rent holidays, rent concessions, and/or rent escalations.

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

Retail Design Center Acquisitions

We account for the acquisition of retail design centers and related assets in accordance with SFAS No. 141, *Business Combinations*, which requires application of the purchase method for all business combinations initiated after June 30, 2001. Accounting for these transactions as purchase business combinations requires the allocation of purchase price paid to the assets acquired and liabilities assumed based on their fair values as of the date of the acquisition. The amount paid in excess of the fair value of net assets acquired is accounted for as goodwill.

Goodwill and Other Intangible Assets

Our intangible assets are accounted for in accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*, and are comprised, primarily, of goodwill, which represents the excess of cost over the fair value of net assets acquired, and trademarks. In re-assessing the useful lives of our goodwill and other intangible assets upon adoption of SFAS No. 142, we determined these assets to have indefinite useful lives. Accordingly, amortization of these assets ceased on that date. Prior to the adoption date (July 1, 2001), these assets were amortized on a straight-line basis over forty years. We conduct an annual impairment analysis the first of April each fiscal year, unless events occur or circumstances change that would more likely than not reduce the fair value of the goodwill or other intangible asset below its carrying value. See note 6 for additional information.

Financial Instruments

Due to their short-term nature, the carrying value of our cash and cash equivalents, receivables and payables, short-term debt and customer deposit liabilities approximates fair value. The estimated fair value of our long-term debt, which is based on changes, if any, in interest rates and our creditworthiness subsequent to the date on which the debt was issued, and which has been determined using quoted market prices, totaled $146.0 million at June 30, 2009 and $182.1 million and at June 30, 2008, as compared to a carrying value on those dates of $199.0 million and $198.8 million, respectively. See Note 7 for a discussion of the change in July 2007 of our credit rating.

Income Taxes

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

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Effective July 1, 2007, we adopted Financial Accounting Standards Board ("FASB") Interpretation No. ("FIN") 48, *Accounting for Uncertainty in Income Taxes*, an interpretation of FASB Statement No. 109, Accounting for Income Taxes, which provides a comprehensive model for the recognition, measurement, presentation, and disclosure in a company's financial statements of uncertain tax positions taken, or expected to be taken, on a tax return. If an income tax position exceeds a 50% probability of success upon tax audit, based solely on the technical merits of the position, the company recognizes an income tax benefit in its financial statements. The tax benefits recognized are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

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

Revenue Recognition

Revenue is recognized when all of the following have occurred: persuasive evidence of a sales arrangement exists (e.g. a wholesale purchase order or retail sales invoice); the sales arrangement specifies a fixed or determinable sales price; product is shipped or services are provided to the customer; and collectibility is reasonably assured. As such, revenue recognition occurs upon the shipment of goods to independent retailers or, in the case of Ethan Allen-operated retail design centers, upon delivery to the customer.

Shipping and Handling Costs

Our policy is to sell our products at the same delivered cost to all retailers nationwide, regardless of shipping point. Costs incurred to deliver finished goods to the consumer are expensed and recorded in selling, general and administrative expenses. Shipping and handling costs amounted to $68.2 million, $87.4 million, and $87.6 million for fiscal years 2009, 2008, and 2007, respectively.

Advertising Costs

Advertising costs are expensed when first aired or distributed. Our total advertising costs incurred in fiscal years 2009, 2008 and 2007, amounted to $25.1 million, $39.4 million, and $35.9 million, respectively. These amounts are presented net of proceeds received by us under our agreement with the third-party financial institution responsible for administering our consumer finance programs. Prepaid advertising costs at June 30, 2009 and 2008 totaled $0.9 million and $1.6 million, respectively.

Earnings Per Share

We compute basic earnings per share by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated similarly, except that the weighted average outstanding shares are adjusted to include the effects of converting all potentially dilutive share-based awards issued under our employee stock plans (see Notes 10 and 11).

Share-Based Compensation

Effective July 1, 2005, share-based awards are accounted for in accordance with the recognition and measurement provisions of SFAS No. 123 (revised 2004), *Share-Based Payment* ("SFAS No. 123(R)"), which replaced SFAS No. 123, *Accounting for Stock-Based Compensation*, and superseded Accounting Principles Board Opinion ("APB") No. 25, *Accounting for Stock Issued to Employees*, and related interpretations. SFAS No. 123(R) requires compensation costs related to share-based payment transactions, including employee stock options, to be recognized in the financial statements.

In adopting SFAS No. 123(R) on July 1, 2005, we applied the modified prospective approach to transition. Under the modified prospective approach, the provisions of SFAS No. 123(R) are to be applied to new awards and to awards modified, repurchased, or cancelled after the required effective date. Additionally, compensation cost for the portion of awards for which the requisite service has not been rendered that are outstanding as of the required effective date is recognized as the requisite service is rendered on or after the required effective date. The compensation cost for that portion of awards is based on the grant-date fair value of those awards as calculated for either recognition or pro-forma disclosures under SFAS No. 123.

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

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

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

Foreign Currency Translation

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

Derivative Instruments

We account for derivative instruments in accordance with SFAS No. 133, *Accounting for Certain Derivative Instruments and Certain Hedging Activities*, and SFAS No. 138, which later amended SFAS No. 133. Upon review of our contracts as of June 30, 2009, we have determined that we have no derivative instruments.

Recent Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations* (SFAS No. 141(R)), which replaces SFAS No. 141. SFAS No. 141(R) establishes principles and requirements for how an acquirer in a business combination recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any controlling interest; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141(R) is to be applied prospectively to business combinations for which the acquisition date is on or after an entity's fiscal year that begins after December 15, 2008 (July 1, 2009 for the Company). The impact of this Statement on the Company's financial position, results of operations and cash flows will be dependent on the terms, conditions and details of such acquisitions.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, which allows the Company to choose to measure selected financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. We adopted SFAS No. 159 on July 1, 2008 and have not elected the permitted fair value measurement provisions of this statement.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* ("SFAS No. 157"), which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements, yet does not require any new fair value measurements. In February 2008, the FASB issued FASB Staff Position No. 157-2 ("FSP No. 157-2"), which delayed the effective date of SFAS No. 157 as it relates to non-financial assets and non-financial liabilities until July 1, 2009 for the Company, except for items that are recognized or disclosed at fair value by the Company on a recurring basis. Effective July 1, 2008, the Company adopted the provisions of SFAS No. 157, except as it relates to those non-financial assets and non-financial liabilities excluded under FSP No. 157-2. Those excluded items for which the Company has not applied the fair value provisions of SFAS No. 157 include goodwill and other intangible assets (note 6), assets held for sale (note 2), liabilities for exit or disposal activities (note 2), and business acquisitions (note 3). The Company is currently evaluating the impact of this statement on the Company's financial position, results of operations and cash flows as it relates to non-financial assets and non-financial liabilities. This pronouncement became effective for us on July 1, 2008. See note 18 for more information.

In June 2008, the FASB issued FASB Staff Position No. EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities*, which requires that unvested share-based payment awards containing non-forfeited rights to dividends be included in the computation of earnings per common share. The adoption of FSB EITF 03-6-1 is effective for fiscal years beginning after December 15, 2008 and interim periods within those fiscal years (July 1, 2009 for the Company). Retrospective application is required. We are evaluating this pronouncement but do not expect it to impact basic or diluted earnings per share.

(2) Restructuring and Impairment Charges

In recent years, we have announced and executed plans to consolidate our operations as part of an overall strategy to maximize production efficiencies and maintain our competitive advantage.

In 2009, the Company made several announcements on changes to our operations as we continue to improve the structure of our business especially in light of the recent economic downturn. In January 2009, the Company announced a plan to consolidate the operations of its Eldred, Pennsylvania upholstery manufacturing plant and several of its retail service centers. In June 2009, the Company announced the consolidation of its Chino, California operations into its Maiden, North Carolina facility and the consolidation of its Andover, Maine sawmill and dimension mill to its Beecher Falls, Vermont sawmill and dimension mill operations. For these fiscal

2009 actions, the Company estimates pre-tax restructuring, impairment, and other related charges will ultimately approximate $30 million, consisting of $15 million in write down of long-lived assets, $8 million in employee severance and other payroll and benefit costs, and $7 million in other associated costs. By segment, we expect $23 million in costs for the wholesale segment and $7 million for the retail segment. Total costs for these 2009 actions in the current fiscal year by segment are $17.0 million for Wholesale, and $2.6 million for Retail all of which have been classified in the Statement of Operations as restructuring and impairment charges. Approximately 800 employee positions and 140 contract worker positions will be eliminated due to these actions.

In January 2008, we announced a plan to consolidate the operations of certain Company-operated retail design centers and retail service centers. In connection with this initiative, we have permanently ceased operations at ten design centers and six retail service centers which, for the most part, were consolidated into other existing operations. We also implemented our design team concept across the Retail division at the end of the fiscal year. We recorded pre-tax restructuring, impairment, and other related charges of $6.8 million for fiscal 2008, with $3.3 million for lease cancellation and other costs which will be paid out over periods ranging from less than one to seven years, $2.7 million, which was non-cash in nature, related to fixed asset impairment charges, primarily for real property and leasehold improvements, and $0.9 million was related to employee severance and benefits. During fiscal 2009, we recorded a net reduction of pre-tax restructuring, impairment, and other related charges of $1.0 million, primarily due to net gains on the sale of real estate of $4.2 million, partly offset by additional charges and adjustments to previous estimates for leased facilities of $2.3 million and employee severance, benefits and other charges of $0.5 million. Cumulative charges to date for these actions total $5.5 million, all of which have been classified in the Statement of Operations as restructuring and impairment charges. In addition to the Retail charges, $0.4 million was recorded in the first quarter of fiscal 2009 to update the fair value of a wholesale plant site held for sale. These charges are reported to together in the following table.

On September 6, 2006, we announced a plan to close our Spruce Pine, North Carolina case goods manufacturing facility and convert our Atoka, Oklahoma upholstery manufacturing facility into a regional distribution center. The decision impacted approximately 465 employees. We recorded a pre-tax restructuring and impairment charge of $14.1 million during the quarter ended September 30, 2006, of which $4.0 million was related to employee severance and benefits and other plant exit costs, and $10.1 million of fixed asset impairment charges. During the first six months of fiscal 2007, adjustments totaling $0.4 million were recorded to reverse remaining previously established accruals which were no longer deemed necessary.

Activity in the Company's restructuring reserves is summarized in the table below (in thousands) and is classified with accrued expenses and other current liabilities in the Consolidated Balance Sheets:

	Balance June 30, 2008	New charges (credits)	Utilized	Adjust-ments	Balance June 30, 2009
2009 Actions					
Employee severance, other payroll and benefit costs	$ -	$ 7,849	$ (3,985)	$ -	$ 3,864
Other plant exit costs	-	825	(171)	-	654
Write down of long-lived assets	-	11,347	(10,921)	(426)	-
	$ -	$ 20,021	$ (15,077)	$ (426)	$ 4,518
2008 Actions					
Employee severance, other payroll and benefit costs	$ -	$ 369	$ -	$ -	$ 369
Other plant exit costs	3,358	1,677	(2,769)	626	2,892
Write down of long-lived assets	-	(4,080)	3,664	416	-
	$ 3,358	$ (2,034)	$ 895	$ 1,042	$ 3,261

(3) Business Acquisitions

The Company's business acquisition practice with respect to independent retail design centers is to selectively acquire, at market value, design centers located in markets of strategic interest to the Company. The Company does not actively pursue acquisitions, but is sometimes approached by independent retailers who are retiring. Acquisitions are subject to a contractual holdback, or reconciliation, period, during which the parties to the transaction may agree to certain normal and customary purchase accounting adjustments. Goodwill associated with our acquisitions represents the premium paid to the seller related to the acquired business (i.e. market presence). See Note 6 for further discussion of our goodwill and other intangible assets.

During fiscal 2009, we acquired, in four separate transactions, four Ethan Allen retail design centers ("DCs") from independent retailers for consideration of approximately $1.8 million in cash and forgiveness of receivables, and assumed customer deposits of $0.7 million and other liabilities of $0.2 million.

During fiscal 2008, we acquired, in two separate transactions, five Ethan Allen retail design centers ("DCs") from independent retailers for consideration of approximately $4.2 million in cash and forgiveness of receivables, and assumed customer deposits of $4.3 million and other liabilities of $0.1 million.

Also in fiscal 2008, we acquired a cut and sew upholstery facility from Americraft Leather in order to strengthen the Company's vertically integrated structure and secure an additional reliable source for our leather products. Total consideration of approximately $4.3 million was paid in cash for the acquisition. The facility, which contains 40,000 square feet of manufacturing space and employs 165 people, is located in Guanajuato, Mexico.

During fiscal 2007, we acquired, in seven separate transactions, twelve Ethan Allen retail design centers from independent retailers for total consideration of approximately $17.0 million in cash and forgiveness of receivables.

A summary of our allocation of purchase price in each of the last three fiscal years is provided below (in thousands):

	2009	2008		2007
		Fiscal Year Ended June 30,		
Business segment	Retail	Wholesale	Retail	Retail
Total consideration	$ 1,841	$ 4,298	$ 4,182	$ 16,957
Assets acquired (liabilities assumed)				
Inventory	1,682	1,054	3,236	6,765
PP&E and other assets	242	2,707	1,029	9,177
Customer deposits	(660)	-	(4,311)	(3,070)
A/P and other liabilities	(186)	(100)	34	(425)
Goodwill	$ 763	$ 637	$ 4,194	$ 4,510

(4) Inventories

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

	2009	2008
Finished goods	$ 130,180	$ 153,981
Work in process	7,476	5,985
Raw materials	18,863	26,299
	$ 156,519	$ 186,265

Inventories are presented net of a related valuation allowance of $2.2 million at June 30, 2009 and $2.3 million at June 30, 2008

(5) Property, Plant and Equipment

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

	2009	2008
Land and improvements	$ 92,903	$ 89,352
Buildings and improvements	392,940	382,354
Machinery and equipment	110,057	120,243
	595,900	591,949
Less: accumulated depreciation and amortization	(262,301)	(241,517)
	$ 333,599	$ 350,432

(6) Goodwill and Other Intangible Assets

As of June 30, 2009, we had goodwill and other indefinite-lived intangible assets of $25.4 million and $19.7 million, respectively. Comparable balances as of June 30, 2008 were $77.1 million and $19.7 million, respectively. Goodwill in the wholesale and retail segments was $25.4 million and $0 million, respectively, at June 30, 2009 and $28.2 million and $48.9 million, respectively, at June 30, 2008. The wholesale segment, at both dates, includes additional indefinite-lived intangible assets of $19.7 million, which represent Ethan Allen trade names.

In accordance with SFAS No. 142, we do not amortize goodwill or other indefinite-lived intangible assets but, rather, we conduct an annual impairment analysis of goodwill and other indefinite lived intangible assets the first of April each fiscal year, unless events occur or circumstances change that would more likely than not reduce the fair value of the goodwill or other indefinite lived intangible assets below their carrying value. In determining whether an interim test is appropriate, management considers several factors including changes in the Company's stock price, financial performance, third party ratings on its long term debt, and expected financial outlook of the business. Methods employed to value the enterprise and the Company's retail and wholesale segments include the market approach and the income approach, which are reconciled with the total market capitalization of the Company. These valuation methods use historical revenues and cash flows, as well as Company and external analysts' financial projections and apply discount rates, weighted average cost of capital rates, total invested capital multiples, and premium control multiples. Fair value of our trade name is valued using the relief-from-royalty method. Significant factors used in trade name valuation are royalty rates, future growth and discount rates, and expense rates.

In the fiscal quarter ended December 31, 2008, net sales declined 7.9% from the previous quarter and there was a meaningful decline (34.5%) in the company's average stock price from the first fiscal quarter to the second (from $26.35 to $17.27). This decline coupled with the sudden and dramatic change in the business climate as seen through the financial crisis with global banking institutions led to an interim evaluation of goodwill and other intangible assets. As a result of these tests, management concluded that the estimated value of the wholesale and retail segments exceeded their carrying values and no impairment was indicated.

In the fiscal quarter ended March 31, 2009, net sales declined 26.0% from the previous quarter resulting in a 660 basis point decline in gross margin plus a further decline (36.2%) in the company's average stock price (from $17.27 to $11.02). These declines coupled with a significant loss from operations led to a second interim evaluation of goodwill and other intangible assets. As a result of these tests, management concluded the carrying value of goodwill on our retail division's books exceeded its fair value. Therefore, we recorded a non-cash impairment charge of $48.4 million. No impairment of the goodwill or other indefinite lived assets on our wholesale division's books was appropriate.

In the fiscal quarter ended June 30, 2009, the Company performed its annual impairment test on April 1 and noted no additional impairment was appropriate. During the quarter, business performance stabilized with net sales slightly lower (1%) than the previous quarter, gross margin improved 160 basis points and there was a slight increase in cash on hand (to $53 million). The average price of our stock increased 9.8% (from $11.02 to $12.11). The ratings on the Company's long term debt were lowered by third parties to speculative grade and the Company updated its forecasts. The Company considered these factors and concluded that an interim impairment test was not required on the wholesale segment. No additional evaluation of the retail segment was appropriate as all goodwill was written off in the previous fiscal quarter.

There can be no assurance that the outcome of future reviews will not result in substantial impairment charges. Impairment assessment inherently involves judgments as to assumptions about expected future cash flows and the impact of market conditions on those assumptions. Future events and changing market conditions may impact our assumptions as to prices, costs or other factors that may result in changes in our estimates of future cash flows. Although we believe the assumptions we use in testing for impairment are reasonable, significant changes in any of our assumptions could produce a significantly different result.

(7) Borrowings

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

	2009	2008
5.375% Senior Notes due 2015	$ 198,997	$ 198,837
Industrial revenue bonds	3,855	3,855
Other debt obligations	296	337
Total debt	203,148	203,029
Less: current maturities	42	41
Total long-term debt	$ 203,106	$ 202,988

Senior Notes

On September 27, 2005, we completed a private offering of $200.0 million of ten-year senior unsecured notes due 2015 (the "Senior Notes"). The Senior Notes were offered by Global and have an annual coupon rate of 5.375% with interest payable semi-annually in arrears on April 1 and October 1 of each year. Proceeds received in connection with the issuance of the Senior Notes, net of a related discount of $1.6 million, totaled $198.4 million.

We used the net proceeds from the offering to expand our retail network, invest in our manufacturing and logistics operations, and for other general corporate purposes. As of June 30, 2009, outstanding borrowings related to this transaction have been included in the Consolidated Balance Sheets within long-term debt. The discount on the Senior Notes is being amortized to interest expense over the life of the related debt as is debt issuance costs of $2.0 million primarily for banking, legal, accounting, rating agency, and printing services and $0.8 million of losses on settled forward contracts entered in conjunction with this debt issuance.

The Senior Notes may be redeemed in whole or in part, at Global's option at any time at the greater of (i) 100% of the principal amount of the notes to be redeemed and (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the Senior Notes to be redeemed, discounted to the date of redemption on a semi-annual basis at the applicable treasury rate plus 20 basis points, plus, in each case, accrued and unpaid interest to the redemption date. In the event of default, the trustee or the holders of 25% of the outstanding principal amount of the Senior Notes may accelerate payment of principal, premium, if any, and accrued and unpaid interest. Events of default include failure to pay in accordance with the terms of the indenture, including failure, under certain circumstances, to pay indebtedness other than the Senior Notes.

<u>Revolving Credit Facility</u>
On January 29, 2009, the Company amended its July 2005 five-year, $200 million unsecured revolving credit facility. The Amendment reduced the line to $100 million, and contained various operating and financial covenants. On April 29, 2009 the Company terminated the revolving credit facility, due to the Company's desire to have in place a revolver that provided greater flexibility. On May 29, 2009, the Company entered into a new three-year, $40 million senior secured asset-based revolving credit facility ("the "Facility"). The Facility provides revolving credit financing of up to $40 million, subject to borrowing base availability, and includes an accordion feature which, if exercised, would provide up to an additional $20 million of financing.
At the Company's option, revolving loans under the Agreement bear interest at an annual rate of either:

(a) London Interbank Offered rate ("LIBOR") plus 3.25% to 4.25%, based on the average availability, or
(b) the higher of (i) a prime rate, (ii) the federal funds effective rate plus 0.50%, or (iii) a LIBOR rate plus 1.00% plus, in each case, an additional 2.25% to 3.25%, based on average availability.

The Company will pay a commitment fee of 0.50% per annum on the unused portion of the Facility and participation fees on issued letters of credit at an annual rate of 1.625% to 4.25%, based on the average availability and the letter of credit type, and a fronting fee of 0.125% per annum. The borrowing base at any time equals the sum of: up to 90% of eligible credit card receivables; plus up to 85% of eligible accounts receivable; plus up to 85% of the net orderly liquidation value of eligible inventory. The Facility is secured by all property owned, leased or operated by the Company in the United States excluding any real property owned by the Company and also excludes any intellectual property owned by the Company unless availability is less than or equal to $17.5 million.

The Facility contains customary covenants which may limit the Company's ability to incur debt; engage in mergers and consolidations; make restricted payments (including dividends); sell certain assets; and make investments. The Company may make restricted payments (including dividends) as long as availability equals or exceeds the greater of (i) 25% of the aggregate commitment or (ii) $12 million. If the average monthly availability is less than the greater of (i) 15% of the aggregate commitment and (ii) $9 million, the Company is also required to meet a fixed charge coverage ratio financial covenant which may not be less than 1 to 1 for any period of four consecutive fiscal quarters.

The Facility contains customary borrowing conditions and events of default (the occurrence of which would entitle the lenders to accelerate the maturity of any outstanding borrowings and terminate their commitment to make future loans).

At June 30, 2009, we had no revolving loans and $12.5 million in trade and standby letters of credit outstanding under the Credit Agreement. Remaining available borrowing capacity under the Credit Agreement was $27.5

million at that date. During fiscal 2009, Standard & Poor's ("S&P") lowered our corporate and senior unsecured credit ratings to BB from BBB-. While the change in our credit rating had no impact on our existing credit facilities, the S&P downgrade, if not improved to investment grade by March 2010, gives a right to the issuer of our private label credit cards to demand a standby letter of credit of up to $12 million. Any additional letters of credit would reduce the credit available for borrowings under the revolver.

Other Borrowings

Approximately $3.9 million of our outstanding debt is related to industrial revenue bonds which were issued to finance capital improvements at the Ethan Allen Hotel and Conference Center, which is adjacent to our corporate headquarters in Danbury, Connecticut. These bonds bear interest at a fixed rate of 7.50% and have a remaining maturity of three years. For fiscal years ended June 30, 2009, 2008 and 2007, the weighted-average interest rates applicable under our outstanding debt obligations for each year were 5.53%.

Aggregate scheduled maturities of our debt obligations for each of the five fiscal years subsequent to June 30, 2009, and thereafter are as follows (in thousands):

Fiscal Year Ended June 30		
2010	$	42
2011		3,898
2012		19
2013		11
2014		11
Subsequent to 2014		199,167
Total scheduled debt payments	$	203,148

Independent Retailer Credit Facility

On June 11, 2009, we obligated ourselves, on behalf of one of our independent retailers, with respect to a $0.5 million non-revolving line of credit facility on which there is no further availability for borrowing (the "Amended Credit Facility"). The Company had previously guaranteed on April 9, 2009, on behalf of the independent retailer, a $0.9 million credit facility comprised of a $0.6 million revolving line of credit and a $0.3 million term loan (the "Credit Facility"). On June 11, 2009, the Company purchased from the independent retailer one of the design centers which was collateral under the Credit Facility. Some of the proceeds were used by the independent retailer to pay down a portion of the Credit Facility, whereupon the Company entered into the Amended Credit Facility. This obligation requires us, in the event of the retailer's default under the Amended Credit Facility, to repurchase the retailer's inventory, applying such purchase price to the retailer's outstanding indebtedness under the Amended Credit Facility. Our obligation remains in effect for the life of the term loan. The agreement expires in April 2011. The original agreement, which expired in April 2008, was replaced with a new agreement with the same terms and conditions dated December 2008, and amended on April 9, 2009. The maximum potential amount of future payments (undiscounted) that we could be required to make under this obligation is limited to the amount outstanding under the Credit Facility at the time of default (subject to pre-determined lending limits based on the value of the underlying inventory) and, as such, is not an estimate of future cash flows. No specific recourse or collateral provisions exist that would enable recovery of any portion of amounts paid under this obligation, except to the extent that we maintain the right to take title to the repurchased inventory. We anticipate that the repurchased inventory could subsequently be sold through our retail design center network.

As of June 30, 2009, the amount outstanding under the Amended Credit Facility totaled approximately $0.5 million. Based on the underlying creditworthiness of the respective retailer, we believe this obligation will expire without requiring funding by us. However, in accordance with the provisions of FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*, a liability has been established to reflect our non-contingent obligation under this arrangement as a result of modifications made to the Credit Facility subsequent to January 1, 2003. As of June 30, 2009, the carrying amount of such liability is less than $50,000.

(8) Leases

We lease real property and equipment under various operating lease agreements expiring through 2033. Leases covering retail design center locations and equipment may require, in addition to stated minimums, contingent rentals based on retail sales or equipment usage. Generally, the leases provide for renewal for various periods at stipulated rates. Future minimum lease payments under non-cancelable operating leases for each of the five fiscal years subsequent to June 30, 2009, and thereafter are as follows (in thousands):

Fiscal Year Ended June 30		
2010	$	36,863
2011		31,057
2012		28,579
2013		24,059
2014		17,009
Subsequent to 2014		96,951
Total minimum lease payments	$	234,518

The above amounts will be offset in the aggregate by minimum future rentals from subleases of $6.2 million, which is due to be received as follows: $1.0 million in 2010; $0.9 million in 2011; $0.9 million in 2012; $0.9 million in 2013; $0.5 million in 2014; and $2.0 million subsequent to 2014.

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

	2009	2008	2007
Basic rentals under operating leases	$ 38,522	$ 40,387	$ 35,637
Contingent rentals under operating lease	182	589	524
	38,704	40,976	36,161
Less: sublease rent	(1,256)	(2,395)	(2,899)
Total rent expense	$ 37,448	$ 38,580	$ 33,262

As of June 30, 2009 and 2008, deferred rent credits totaling $11.6 million and $9.8 million, respectively, and deferred lease incentives totaling $2.8 million at both year ends, are reflected in the Consolidated Balance Sheets. These amounts are amortized over the respective underlying lease terms on a straight-line basis as a reduction of rent expense.

(9) Shareholders' Equity

Our authorized capital stock consists of (a) 150,000,000 shares of Class A Common Stock, par value $.01 per share, (b) 600,000 shares of Class B Common Stock, par value $.01 per share, and (c) 1,055,000 shares of Preferred Stock, par value $.01 per share, of which (i) 30,000 shares have been designated Series A Redeemable Convertible Preferred Stock, (ii) 30,000 shares have been designated Series B Redeemable Convertible Preferred Stock, (iii) 155,010 shares have been designated as Series C Junior Participating Preferred Stock, and (iv) the remaining 839,990 shares may be designated by the Board of Directors with such rights and preferences as they determine (all such preferred stock, collectively, the "Preferred Stock"). Shares of Class B Common Stock are convertible to shares of our Common Stock upon the occurrence of certain events or other specified conditions being met. As of June 30, 2009 and 2008, there were no shares of Preferred Stock or Class B Common Stock issued or outstanding.

Share Repurchase Program

On November 21, 2002, the Company's Board of Directors approved a share repurchase program authorizing us to repurchase up to 2.0 million shares of our common stock, from time to time, either directly or through agents, in the open market at prices and on terms satisfactory to us. Subsequent to that date, the Board of Directors increased the then remaining share repurchase authorization as follows: to 2.5 million shares on April 27, 2004; to 2.0 million shares on November 16, 2004; to 2.0 million shares on April 26, 2005; to 2.5 million shares on November 15, 2005; to 2.5 million shares on July 25, 2006; to 2.5 million shares on July 24, 2007, and to 2.0 million shares on November 13, 2007. As of June 30, 2009 we had a remaining Board authorization to repurchase 1.6 million shares.

All of our common stock repurchases and retirements are recorded as treasury stock and result in a reduction of shareholders' equity. During fiscal years 2009, 2008 and 2007, we repurchased and/or retired the following shares of our common stock:

	2009	2008 (1)	2007(2)(3)
Common shares repurchased	-	2,259,631	1,548,700
Cost to repurchase common shares	-	$ 69,745,024	$ 53,955,970
Average price per share	-	$ 30.87	$ 34.84

(1) During fiscal 2008, we also retired 661,688 shares of common stock tendered upon the exercise of outstanding employee stock options (592,861 to cover share exercise and 68,827 to cover related employee tax withholding liabilities). The value of such shares on the date redeemed was $23,033,359, representing an average price per share of $34.81.
(2) The cost to repurchase shares in fiscal 2007 reflects $3,436,230 in common stock repurchases with a June 2007 trade date and a July 2007 settlement date.
(3) During fiscal 2007, we also retired 555,531 shares of common stock tendered upon the exercise of outstanding employee stock options (410,073 to cover share exercise and 145,458 to cover related employee tax withholding liabilities). The value of such shares on the date redeemed was $21,506,193, representing an average price per share of $38.71.

For each of the fiscal years presented above, we funded our purchases of treasury stock with existing cash on hand and cash generated through current period operations.

Stockholder Rights Plan

On May 20, 1996, the Board of Directors adopted a Stockholder Rights Plan (the "Rights Plan") and declared a dividend of one Right for each share of our common stock outstanding as of July 10, 1996. Under the Rights Plan, each share of our common stock issued after July 10, 1996 is accompanied by one Right (or such other number of Rights as results from the adjustments for stock splits and other events described below). Each Right entitles its holder, under certain circumstances, to purchase one one-hundredth of a share of our Series C Junior Participating Preferred Stock at a purchase price of $125. The Rights may not be exercised until 10 days after a person or group acquires 15% or more of our common stock, or 15 days after the commencement or the announcement of the intent to commence a tender offer, which, if consummated, would result in acquisition by a person or group of 15% or more of our common stock. Until then, separate Rights certificates will not be issued and the Rights will not be traded separately from shares of our common stock.

If the Rights become exercisable, then, upon exercise of a Right, our stockholders (other than the acquirer) would have the right to receive, in lieu of our Series C Junior Participating Preferred Stock, a number of shares of our common stock (or a number of shares of the common stock of the acquirer, if we are acquired, or other assets under various circumstances) having a market value equal to two times the purchase price. Under the Rights Plan, as amended by the Board of Directors on July 27, 2004, the Rights will expire on May 31, 2011, unless redeemed prior to that date. The redemption price is $0.01 per Right. The Board of Directors may redeem the Rights at its option any time prior to the time when the Rights become exercisable.

The Rights Plan provides for adjustment to the number of Rights which accompanies each share of our common stock (whether then outstanding or thereafter issued) upon the occurrence of various events after July 10, 1996, including stock splits. We effected a 2-for-1 stock split on September 3, 1997 and a 3-for-2 stock split on May 24, 1999. Accordingly, at June 30, 2009, each share of our common stock was accompanied by one-third of one Right.

(10) Earnings per Share

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

	2009	2008	2007
Weighted average common shares outstanding for basic calculation	28,814	29,267	31,566
Effect of dilutive stock options and share based awards	-	203	695
Weighted average common shares outstanding adjusted for diluted calculation	28,814	29,470	32,261

Certain restricted stock awards and the potential exercise of certain stock options were excluded from the respective diluted earnings per share calculation because their impact is anti-dilutive. In 2009, 2008 and 2007, stock options and share based awards of 2,228,121, 1,713,323 and 750,981, respectively, have been excluded.

(11) Share-Based Compensation

For the twelve months ended June 30, 2009, 2008, and 2007, share-based compensation expense totaled $1.7 million, $1.3 million, and $0.8 million respectively. These amounts have been included in the Consolidated Statements of Operations within selling, general and administrative expenses. During the twelve months ended June 30, 2009, 2008, and 2007, we recognized related tax benefits associated with our share-based compensation arrangements totaling $0.6 million, $0.5 million and $0.3 million, respectively. Such amounts have been included in the Consolidated Statements of Operations within income tax expense.

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

	2009	2008	2007
Volatility	34.4%	35.8%	28.14%
Risk-free rate of return	3.21%	4.51%	4.97%
Dividend yield	5.11%	2.69%	2.18%
Expected average life	7.4 years	9.3 years	6.0 years

At June 30, 2009, we had 7,317,409 shares of common stock reserved for issuance pursuant to the following share-based compensation plans:

1992 Stock Option Plan

The Plan provides for the grant of non-compensatory stock options to eligible employees and non-employee directors. Stock options granted under the Plan are non-qualified under Section 422 of the Internal Revenue code and allow for the purchase of shares of our common stock. The maximum number of shares of common stock reserved for issuance under the Plan is 6,487,867 shares. The Plan also provides for the issuance of stock appreciation rights ("SARs") on issued options, however, no SARs have been issued as of June 30, 2009. The awarding of such options is determined by the Compensation Committee of the Board of Directors after consideration of recommendations proposed by the Chief Executive Officer. Option awards are generally granted with an exercise price equal to the market price of our common stock at the date of grant, vest ratably over a specified service period (4 years for awards to employees; 2 years for awards to independent directors), and have a contractual term of 10 years.

On October 10, 2007, the Company's Board of Directors and M. Farooq Kathwari, our President and Chief Executive Officer, agreed to the terms of a new employment agreement expiring on June 30, 2012 ("2007 Employment Agreement"). This agreement was effective as of October 1, 2007 and served to supersede all terms and conditions set forth in his previous employment agreement dated August 1, 2002 (the "2002 Employment Agreement"). Pursuant to the terms of the 2007 Employment Agreement, Mr. Kathwari was awarded on October 10, 2007, July 1, 2008, and July 1, 2009, options to purchase 150,000, 90,000 and 60,000 shares respectively, of our common stock. These options were issued at an exercise price of $34.03, $24.62, and $10.68 per share respectively (the price of a share of our common stock on the New York Stock Exchange on those dates). The 2007 grant vests in three installments of 33 1/3% on each June 30 of 2008, 2009, and 2010. The 2008 grant vests in two installments of 50% on each June 30 of 2009 and 2010. The 2009 grant vests on June 30, 2010. On November 11, 2008 Mr. Kathwari was awarded options to purchase 50,000 shares of our common stock at an exercise price of $15.93 (the price of a share of our common stock on the New York Stock Exchange on that date). This grant vests in four equal installments on the anniversary date of the grant.

A summary of stock option activity occurring during the fiscal year ended June 30, 2009 is presented below:

Options	Shares	Exercise Price	Weighted Average Remaining Contractual Term (yrs)	Aggregate Intrinsic Value
Outstanding - June 30, 2008	1,768,457	$33.23		
Granted	291,060	19.58		
Exercised	(90)	25.00		
Canceled (forfeited/expired)	(73,291)	27.22		
Outstanding - June 30, 2009	1,986,136	31.45	5.0	-
Exercisable – June 30, 2009	1,667,380	$33.19	4.2	-

The weighted average grant-date fair value of options granted during fiscal 2009, 2008, and 2007 was $4.58, $12.06 and $9.91 respectively. The total intrinsic value of options exercised during 2009, 2008 and 2007 was $0.0 million, $5.7 million, and $13.5 million, respectively. As of June 30, 2009, there was $1.9 million of total unrecognized compensation cost related to nonvested options granted under the Plan. That cost is expected to be recognized over a weighted average period of 1.7 years. A summary of the nonvested shares as of June 30, 2009 and changes during the year then ended is presented below:

Nonvested Shares	Shares	Weighted Average Grant Date Fair Value
Nonvested June 30, 2008	170,276	$ 11.16
Granted	291,060	4.58
Vested	(130,820)	10.18
Canceled (forfeited/expired)	(11,760)	4.32
Nonvested at June 30, 2009	318,756	$ 5.80

In connection with the 1992 Stock Option Plan, the following two stock award plans have also been established:

Restricted Stock Awards

In connection with the 2007 Employment Agreement, Mr. Kathwari received on November 13, 2007 and July 1, 2008, and will be awarded on July 1, 2009, an annual award of 20,000 shares of restricted stock (for a total award of 60,000 shares), with vesting based on the performance of the Company's stock price during the three year periods subsequent to the award date as compared to the Standard and Poor's 500 index. Mr. Kathwari also received on November 13, 2007, 15,000 shares of restricted stock which vest ratably over a five year period through June 30, 2012. On November 11, 2008 Mr. Kathwari received an award of 60,000 shares of restricted stock, which provided for vesting to occur if specific financial objectives were achieved during the final three quarters of fiscal 2009. The financial objectives were not achieved and the shares were forfeited. A summary of nonvested restricted share activity occurring during the fiscal year ended June 30, 2009 is presented below.

Nonvested Restricted Shares	Shares	Weighed Average Grant-Date Fair Value
Nonvested - June 30, 2008	35,000	$ 22.19
Granted	83,000	10.28
Vested	(5,000)	30.55
Canceled (forfeited/expired)	(60,000)	8.22
Nonvested - June 30, 2009	53,000	$ 18.56

As of June 30, 2009, there was $0.5 million of total unrecognized compensation cost related to restricted shares granted under the Plan. That cost is expected to be recognized over a weighted average period of 2.7 years. The total fair value of restricted shares vested during the fiscal years ending June 30, 2009 and 2008 was $0.2 million and $0.1 million respectively.

Stock Unit Awards

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

(12) Income Taxes

Total income taxes were allocated as follows for the fiscal years ended June 30 (in thousands):

	2009	2008	2007
Income (loss) from operations	$(28,493)	$ 34,106	$ 40,499
Shareholders' equity	-	(2,093)	(5,015)
Total	$(28,493)	$ 32,013	$ 35,484

The income taxes credited to shareholders' equity relate to the excess tax benefit arising from the exercise of employee stock options.

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

	2009	2008	2007
Current:			
Federal	$ 2,657	$ 32,431	$ 34,768
State	975	4,151	5,125
Foreign	33	(112)	406
Total current	3,665	36,470	40,299
Deferred:			
Federal	(30,200)	(2,172)	190
State	(1,958)	(192)	10
Total deferred	(32,158)	(2,364)	200
Income tax expense	$(28,493)	$ 34,106	$ 40,499

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

	2009		2008		2007	
Expected income tax expense (benefit)	$(28,413)	35.0 %	$ 32,262	35.0 %	$ 38,404	35.0 %
State income taxes (benefit), net of federal income tax	(3,237)	4.0 %	2,698	2.9 %	3,331	3.0 %
Valuation allowance	2,088	(2.6)%	-	0.0 %	-	0.0 %
Goodwill impairment	1,402	(1.7)%	-	0.0 %	-	0.0 %
Section 199 Qualified Production Activities deduction	-	0.0 %	(1,100)	(1.2)%	(630)	(0.6)%
Other, net	(333)	0.4 %	246	0.3 %	(606)	(0.5)%
Actual income tax expense (benefit)	$(28,493)	35.1 %	$ 34,106	37.0 %	$ 40,499	36.9 %

The significant components of the deferred tax expense (benefit) are as follows (in thousands):

	2009	2008	2007
Deferred tax expense (benefit):			
Commissions	$ (3,045)	$ (426)	$ 211
Restructuring costs	(4,469)	(1,238)	-
Acquired goodwill	(16,191)	1,018	927
Amortization and depreciation	(7,126)	(1,767)	(1,515)
Federal, foreign and state net operating losses	(2,870)	-	-
Other	(545)	10	538
Utilization of net operating loss and tax credit carryforwards	-	39	39
Total deferred tax expense (benefit)	$ (34,246)	$ (2,364)	$ 200
Less: Valuation allowance	2,088	-	-
Net deferred tax expense (benefit)	$ (32,158)	$ (2,364)	$ 200

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

	2009	2008
Deferred tax assets:		
Accounts receivable	$ 531	$ 963
Property, plant and equipment	2,391	-
Employee compensation accruals	6,436	10,236
Stock based compensation	2,227	1,514
Deferred rent credits	5,439	4,619
Restructuring charges	5,762	1,345
Net operating loss carryforwards	2,870	30
Other, net	3,301	2,670
Total deferred tax asset	28,957	21,377
Less: Valuation allowance	(2,088)	-
Net deferred tax assets	26,869	21,377
Deferred tax liabilities:		
Inventories	1,425	2,719
Property, plant and equipment	-	7,577
Intangible assets other than goodwill	5,180	20,737
Commissions	353	3,642
Other accrued liabilities	-	2,483
Other, net	37	-
Total deferred tax liability	6,995	37,158
Net deferred tax asset (liability)	$ 19,874	$(15,781)

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

	2009	2008
Current assets	$ 9,502	$ 11,111
Non-current assets	17,367	10,266
Current liabilities	1,425	4,986
Non-current liabilities	5,570	32,172
Total net deferred tax asset (liability)	$ 19,874	$(15,781)

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

In accordance with SFAS No. 109, *Accounting for Income* Taxes, we evaluate our deferred taxes to determine if the "more likely than not" standard of evidence has not been met thereby supporting the need for a valuation allowance. In fiscal 2009, due to significant losses incurred in our retail segment, the uncertain outlook regarding the current economic recession, and the lack of carry-back availability due to limitations imposed by certain states and Canada, we established valuation allowances of $2.1 million against certain state and Canada deferred tax assets primarily for net operating losses. Our state net operating losses and credits expire between fiscal year 2014 and 2029 and for Canada expire in fiscal 2029. At June 30, 2009 we had, for U.S. federal income tax purposes, a net operating loss of $4.3 million which expires in 2029. We believe it is more likely than not that our deferred tax assets and credits for U.S. federal income tax purposes will be realized due to sufficient historical and anticipated future pre-tax earnings and we therefore have not established valuation allowances for these assets.

Uncertain Tax Positions

Effective July 1, 2007, we adopted Financial Accounting Standards Board ("FASB") Interpretation No. ("FIN") 48, *Accounting for Uncertainty in Income Taxes*, an interpretation of FASB Statement No. 109, *Accounting for Income Taxes*. As a result of the adoption of FIN 48, we recorded a cumulative effect of a change in accounting principle adjustment of $0.7 million as an increase to beginning retained earnings. Our continuing practice is to recognize interest and penalties related to income tax matters as a component of income tax expense. If the $13.1 million of unrecognized tax benefits and related interest and penalties as of June 30, 2009 were recognized, approximately $10.8 million would be recorded as a benefit to income tax expense.

A reconciliation of the beginning and ending amount of unrecognized tax benefits including related interest and penalties as of June 30, 2009 is as follows (in thousands):	2009	2008
Beginning balance	$13,633	$13,988
Additions based on tax positions in the current year	399	458
Additions for tax positions in prior years	1,264	2,377
Reductions for tax positions of prior years due to:		
Statute expiration	(895)	(360)
Settlements	(1,341)	(2,830)
Ending balance	$13,060	$13,633

It is reasonably possible that various issues relating to approximately $3.7 million of the total gross unrecognized tax benefits as of June 30, 2009 will be resolved within the next twelve months as exams are completed or statutes expire. If recognized, approximately $3.7 million of unrecognized tax benefits would reduce our tax expense in the period realized. However, actual results could differ from those currently anticipated.

The Company conducts business globally and, as a result, the Company or one or more of its subsidiaries files income tax returns in the U.S., various state, and foreign jurisdictions. In the normal course of business, the Company is subject to examination by the taxing authorities in such major jurisdictions as Canada, Mexico and the U.S. As of June 30, 2009 certain subsidiaries of the Company are currently under audit from 2001 through 2008 in the U.S. While the amount of uncertain tax benefits with respect to the entities and years under audit may change within the next twelve months, it is not anticipated that any of the changes will be significant.

(13) Employee Retirement Programs

The Ethan Allen Retirement Savings Plan

The Ethan Allen Retirement Savings Plan (the "Savings Plan") is a defined contribution plan, which is offered to substantially all of our employees who have completed three consecutive months of service regardless of hours worked.

We may, at our discretion, make a matching contribution to the 401(k) portion of the Savings Plan on behalf of each participant, provided the contribution does not exceed the lesser of 50% of the participant's contribution or $500 per participant per Savings Plan year. Total profit sharing and 401(k) Company match expense amounted to $1.3 million in 2009, $3.7 million in 2008, and $4.3 million in 2007. The contribution was made in shares of the Company's common stock in 2009 and in cash in 2008 and 2007.

Other Retirement Plans and Benefits

Ethan Allen provides additional benefits to selected members of senior and middle management in the form of previously entered deferred compensation arrangements and a management cash bonus and other incentive programs. The total cost (credit) of these benefits was ($0.7) million, $1.2 million, and $2.7 million in 2009, 2008 and 2007, respectively.

(14) Litigation

Environmental Matters

We and our subsidiaries are subject to various environmental laws and regulations. Under these laws, we and/or our subsidiaries are, or may be, required to remove or mitigate the effects on the environment of the disposal or release of certain hazardous materials.

During the fiscal year ending June 30, 2009, our liability with respect to three active sites currently listed, or proposed for inclusion, on the National Priorities List ("NPL") under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"), where we and/or our subsidiaries had been named as a Potentially Responsive Party ("PRP") located in Southington, Connecticut; High Point, North Carolina; and Atlanta, Georgia has been resolved.

In each case we were not a major contributor based on the very small volume of waste generated by us in relation to total volume at those sites and were able to take part in de minimus settlement arrangements. Specifically, with respect to the Southington site, our volumetric share is less than 1% of over 51 million gallons disposed of at the site and there are more than 1,000 PRPs. With respect to the High Point site, our volumetric share is less than 1% of over 18 million gallons disposed of at the site and there are more than 2,000 PRPs, including more than 1,000 de minimis parties (of which we are one). With respect to the Atlanta site, a former solvent recycling/reclamation facility, our volumetric share is less than 1% of over 20 million gallons disposed of at the site by more than 1,700 PRPs.

In addition to the now settled actions discussed above, in July 2000, we were notified by the State of New York (the "State") that we may be named a PRP in a separate, unrelated matter with respect to a site located in Carroll, New York. In May, 2009, we were notified by the State that it had conducted an initial environmental study and that we have been named as a PRP. We believe that we are not a major contributor; however, a review of the initial environmental study is ongoing.

Liability under CERCLA may be joint and several. As such, to the extent certain named PRPs are unable, or unwilling, to accept responsibility and pay their apportioned costs, we could be required to pay in excess of our pro rata share of incurred remediation costs. Our understanding of the financial strength of other PRPs has been considered, where appropriate, in the determination of our estimated liability.

As of June 30, 2009, we believe that established reserves related to these environmental contingencies are adequate to cover probable and reasonably estimable costs associated with the remediation and restoration of these sites. We believe our currently anticipated capital expenditures for environmental control facility matters are not material.

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

Regulations issued under the Clean Air Act Amendments of 1990 required the industry to reformulate certain furniture finishes or institute process changes to reduce emissions of volatile organic compounds. Compliance with many of these requirements has been facilitated through the introduction of high solids coating technology and alternative formulations. In addition, we have instituted a variety of technical and procedural controls, including reformulation of finishing materials to reduce toxicity, implementation of high velocity low pressure spray systems, development of storm water protection plans and controls, and further development of related inspection/audit teams, all of which have served to reduce emissions per unit of production. We remain committed to implementing new waste minimization programs and/or enhancing existing programs with the objective of (i) reducing the total volume of waste, (ii) limiting the liability associated with waste disposal, and (iii) continuously improving environmental and job safety programs on the factory floor which serve to minimize emissions and safety risks for employees. We will continue to evaluate the most appropriate, cost effective, control technologies for finishing operations and design production methods to reduce the use of hazardous materials in the manufacturing process.

(15) Comprehensive Income

Total comprehensive income represents the sum of net income and items of "other comprehensive income or loss" that are reported directly in equity. Such items, which are generally presented on a net-of-tax basis, may include foreign currency translation adjustments, minimum pension liability adjustments, fair value adjustments (i.e. gains and losses) on certain derivative instruments, and unrealized gains and losses on certain investments in debt and equity securities. We have reported our total comprehensive income in the Consolidated Statements of Shareholders' Equity.

Our accumulated other comprehensive income, which is comprised of losses on certain derivative instruments and accumulated foreign currency translation adjustments, totaled $0.5 million at June 30, 2009 and $2.7 million at June 30, 2008. Foreign currency translation adjustments are the result of changes in foreign currency exchange rates related to our operation of five Ethan Allen-operated retail design centers located in Canada. Foreign currency translation adjustments exclude income tax expense (benefit) given that the earnings of non-U.S. subsidiaries are deemed to be reinvested for an indefinite period of time.

(16) Segment Information

Our operations are classified into two operating segments: wholesale and retail. These operating segments represent strategic business areas which, although they operate separately and provide their own distinctive services, enable us to more effectively offer our complete line of home furnishings and accessories.

The wholesale segment is principally involved in the development of the Ethan Allen brand, which encompasses the design, manufacture, domestic and off-shore sourcing, sale and distribution of a full range of home furnishings and accessories to a network of independently operated and Ethan Allen-operated design centers as well as related marketing and brand awareness efforts. Wholesale revenue is generated upon the wholesale sale and shipment of our product to all retail design centers, including those operated by Ethan Allen. Wholesale profitability includes (i) the wholesale gross margin, which represents the difference between the wholesale sales price and the cost associated with manufacturing and/or sourcing the related product, and (ii) other operating costs associated with wholesale segment activities.

The retail segment sells home furnishings and accessories to consumers through a network of Company-operated design centers. Retail revenue is generated upon the retail sale and delivery of our product to our customers. Retail profitability includes (i) the retail gross margin, which represents the difference between the retail sales price and the cost of goods purchased from the wholesale segment, and (ii) other operating costs associated with retail segment activities.

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

We evaluate performance of the respective segments based upon revenues and operating income. While the manner in which our home furnishings and accessories are marketed and sold is consistent, the nature of the underlying recorded sales (i.e. wholesale versus retail) and the specific services that each operating segment provides (i.e. wholesale manufacturing, sourcing, and distribution versus retail selling) are different. Within the wholesale segment, we maintain revenue information according to each respective product line (i.e. case goods, upholstery, or home accessories and other).

A breakdown of wholesale sales by product line for each of the last three fiscal years ended June 30 is provided below:

	2009	2008	2007
Case Goods	41%	43%	44%
Upholstered Products	41	40	38
Home Accessories and Other	18	17	18
	100%	100%	100%

Revenue information by product line is not as easily determined within the retail segment. However, because wholesale production and sales are matched, for the most part, to incoming orders, we believe that the allocation of retail sales by product line would be similar to that of the wholesale segment. Information for each of the last three fiscal years ended June 30 is provided below (in thousands):

	2009	2008	2007
Net Sales:			
Wholesale segment	$ 403,378	$ 616,230	$ 656,035
Retail segment	508,621	724,586	698,611
Elimination of inter-company sales	(237,722)	(360,771)	(349,334)
Consolidated Total	$ 674,277	$ 980,045	$1,005,312
Operating Income:			
Wholesale segment (1)	$ 6,670	$ 100,324	$ 99,215
Retail segment (2)	(92,100)	(2,800)	15,162
Adjustment for inter-company profit (3)	12,659	(1,524)	(3,258)
Consolidated Total	$ (72,771)	$ 96,000	$ 111,119
Capital Expenditures:			
Wholesale segment	$ 3,246	$ 7,347	$ 8,791
Retail segment	19,291	52,691	50,282
Acquisitions (4) (5)	1,366	7,168	15,906
Consolidated Total	$ 23,903	$ 67,206	$ 74,979

	June 30 2009	June 30 2008	June 30, 2007
Total Assets:			
Wholesale segment	$ 276,250	$ 345,080	$ 416,237
Retail segment	397,877	459,842	425,382
Inventory profit elimination (6)	(27,642)	(40,829)	(39,021)
Consolidated Total	$ 646,485	$ 764,093	$ 802,598

(1) Operating income for the wholesale segment for the twelve months ended June 30, 2009 and 2007 includes pre-tax restructuring and impairment charges of $17.4 million and $13.4 million, respectively.
(2) Operating income for the retail segment for the twelve months ended June 30, 2009 and 2008 includes pre-tax restructuring and impairment charges of $49.6 million and $6.8 million respectively.
(3) Represents the change in the inventory profit elimination entry necessary to adjust for the embedded wholesale profit contained in Ethan Allen-operated design center inventory existing at the end of the period. See footnote 6 below.
(4) Acquisitions include the purchase of four retail design centers in 2009, five retail design centers and a cut and sew upholstery facility in 2008 and 12 retail design centers in 2007. See Note 3.
(5) Amount reflected as acquisitions for 2007 includes purchase of a retail design center with an effective (closing) date of June 30, 2007. However, the consideration paid in connection with this acquisition was not funded until July 2, 2007.
(6) Represents the embedded wholesale profit contained in Ethan Allen-operated design center inventory that has not yet been realized. These profits are realized when the related inventory is sold.

There are 46 independent retail design centers located outside the United States. Approximately 3.3% of our net sales are derived from sales to these retail design centers.

(17) Selected Quarterly Financial Data (Unaudited)

Tabulated below is selected financial data for each quarter of the fiscal years ended June 30, 2009, 2008, and 2007 (in thousands, except per share data):

	Quarter Ended			
	September 30	December 31	March 31	June 30
Fiscal 2009:				
Net sales	$ 205,841	$ 189,558	$ 140,221	$ 138,657
Gross profit	111,941	101,801	66,050	67,550
Net income (loss)	7,422	5,488	(48,674)	(16,923)
Earnings (loss) per basic share (1)	0.26	0.19	(1.69)	(0.58)
Earnings (loss) per diluted share (1)	0.26	0.19	(1.69)	(0.58)
Dividend per common share	0.25	0.25	0.10	0.05
Fiscal 2008:				
Net sales	$ 248,727	$ 259,510	$ 235,901	$ 235,907
Gross profit	133,457	139,453	125,187	127,968
Net income	17,504	20,622	8,846	11,100
Earnings per basic share (1)	0.58	0.70	0.31	0.39
Earnings per diluted share (1)	0.57	0.70	0.30	0.39
Dividend per common share	0.22	0.22	0.22	0.22
Fiscal 2007:				
Net sales	$ 242,823	$ 257,419	$ 246,539	$ 258,531
Gross profit	126,329	133,750	128,516	137,988
Net income	8,452	22,792	17,499	20,484
Earnings per basic share (1)	0.27	0.72	0.55	0.66
Earnings per diluted share (1)	0.26	0.70	0.54	0.65
Dividend per common share	0.20	0.20	0.20	0.20

(1) The sum of the quarterly earnings per share may not equal the full-year total due to rounding and/or changes in share count.

(18) Financial Instruments

We adopted SFAS No. 157 on July 1, 2008 for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

SFAS No. 157 defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity. In addition, the fair value of liabilities should include consideration of non-performance risk including our own credit risk.

In addition to defining fair value, SFAS No. 157 expands the disclosure requirements around fair value and establishes a fair value hierarchy for valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels which is determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

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

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

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

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

Cash Equivalents

Cash equivalents consist of money market accounts and mutual funds in U.S. government and agency securities. We use quoted prices in active markets for identical assets or liabilities to determine fair value. This pricing methodology applies to our Level 1 cash equivalents. We do not hold any Level 2 or Level 3 investments in our cash equivalents.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

At June 30, 2009, the Company's assets and liabilities measured at fair value on a recurring basis consist of $53.0 million in cash equivalents, which were valued using Level 1 inputs.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

We measure certain assets, including our cost and equity method investments, at fair value on a nonrecurring basis. These assets are recognized at fair value when they are deemed to be other-than-temporarily impaired. During the third quarter of fiscal, 2009, we determined that the goodwill for the Retail segment was impaired, and a goodwill impairment charge of $48.4 million was recorded (also see note 6).

(19) Subsequent Events

The Company has evaluated events and transactions subsequent to June 30, 2009 through August 24, 2009, which was the date the financial statements were issued (filed with the SEC).

(20) Financial Information About the Parent, the Issuer and the Guarantors

On September 27, 2005, Global (the "Issuer") issued $200 million aggregate principal amount of Senior Notes which have been guaranteed on a senior basis by Interiors (the "Parent"), and other wholly owned domestic subsidiaries of the Issuer and the Parent, including Ethan Allen Retail, Inc., Ethan Allen Operations, Inc., Ethan Allen Realty, LLC, Lake Avenue Associates, Inc. and Manor House, Inc. The subsidiary guarantors (other than the Parent) are collectively called the "Guarantors". The guarantees of the Guarantors are unsecured. All of the guarantees are full, unconditional and joint and several and the Issuer and each of the Guarantors are 100% owned by the Parent. Ethan Allen (UK) Ltd. and our other subsidiaries which are not guarantors are called the "Non-Guarantors". During the quarter ended December 31, 2008, we determined that our international subsidiaries in Canada and Mexico are non-guarantors. The Company has reclassified, for all prior periods presented, the financial results of these international subsidiaries to reflect their non-guarantor status.

The following tables set forth the condensed consolidating balance sheets as of June 30, 2009 and June 30, 2008, the condensed consolidating statements of operations for the twelve months ended June 30, 2009, 2008 and 2007, and the condensed consolidating statements of cash flows for the twelve months ended June 30, 2009, 2008 and 2007 of the Parent, the Issuer, the Guarantors and the Non-Guarantors.

CONDENSED CONSOLIDATING BALANCE SHEET
(in thousands)
June 30, 2009

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Assets						
Current assets:						
Cash and cash equivalents	$ -	$ 47,712	$ 3,592	$ 1,656	$ -	$ 52,960
Accounts receivable, net	-	12,049	783	254	-	13,086
Inventories	-	-	179,705	4,456	(27,642)	156,519
Prepaid expenses and other current assets	-	20,509	8,084	544	-	29,137
Intercompany receivables	-	782,736	227,453	(3,010)	(1,007,179)	0
Total current assets	-	863,006	419,617	3,900	(1,034,821)	251,702
Property, plant and equipment, net	-	11,748	317,144	4,707	-	333,599
Goodwill and other intangible assets	-	37,905	7,223	-	-	45,128
Other assets	-	15,323	727	6	-	16,056
Investment in affiliated companies	612,391	(20,616)	-	-	(591,775)	-
Total assets	612,391	907,366	744,711	8,613	(1,626,596)	646,485
Liabilities and Shareholders' Equity						
Current liabilities:						
Current maturities of long-term debt	-	-	42	-	-	42
Customer deposits	-	-	30,412	1,279	-	31,691
Accounts payable	-	8,851	13,106	242	-	22,199
Accrued expenses and other current liabilities	1,552	41,004	15,707	268	-	58,531
Intercompany payables	304,917	8,123	687,826	6,313	(1,007,179)	-
Total current liabilities	306,469	57,978	747,093	8,102	(1,007,179)	112,463
Long-term debt	-	198,998	4,108	-	-	203,106
Other long-term liabilities	-	10,565	14,290	138	-	24,993
Deferred income taxes	-	-	-	-	-	-
Total liabilities	306,469	267,541	765,491	8,240	(1,007,179)	340,562
Shareholders' equity	305,922	639,825	(20,780)	373	(619,417)	305,923
Total liabilities and shareholders' equity	$ 612,391	$ 907,366	$ 744,711	$ 8,613	$(1,626,596)	$ 646,485

CONDENSED CONSOLIDATING BALANCE SHEET
(in thousands)
June 30, 2008

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Assets						
Current assets:						
Cash and cash equivalents	$ -	$ 71,117	$ 1,307	$ 1,952	$ -	$ 74,376
Accounts receivable, net	-	11,937	431	304	-	12,672
Inventories	-	-	222,130	4,964	(40,829)	186,265
Prepaid expenses and other current assets	-	17,475	21,020	490	-	38,985
Intercompany receivables	-	712,981	209,471	-	(922,452)	-
Total current assets	-	813,510	454,359	7,710	(963,281)	312,298
Property, plant and equipment, net	-	13,186	331,581	5,665	-	350,432
Goodwill and other intangible assets	-	37,905	55,189	3,729	-	96,823
Other assets	-	3,604	929	7	-	4,540
Investment in affiliated companies	665,427	118,371	-	-	(783,798)	-
Total assets	665,427	986,576	842,058	17,111	(1,747,079)	764,093
Liabilities and Shareholders' Equity						
Current liabilities:						
Current maturities of long-term debt	-	-	41	-	-	41
Customer deposits	-	-	45,486	1,811	-	47,297
Accounts payable	-	9,785	15,936	723	-	26,444
Accrued expenses and other current liabilities	6,438	36,885	18,022	375	-	61,720
Intercompany payables	283,216	597	628,925	9,714	(922,452)	-
Total current liabilities	289,654	47,267	708,410	12,623	(922,452)	135,502
Long-term debt	-	198,837	4,151	-	-	202,988
Other long-term liabilities	-	15,360	12,380	184	-	27,924
Deferred income taxes	-	21,906	-	-	-	21,906
Total liabilities	289,654	283,370	724,941	12,807	(922,452)	388,320
Shareholders' equity	375,773	703,206	117,117	4,304	(824,627)	375,773
Total liabilities and shareholders' equity	$ 665,427	$ 986,576	$ 842,058	$ 17,111	$(1,747,079)	$ 764,093

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
(in thousands)
Year Ended June 30, 2009

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net sales	$ -	$ 404,543	$676,740	$ 21,042	$ (428,048)	$ 674,277
Cost of sales	-	302,359	453,868	12,007	(441,299)	326,935
Gross profit	-	102,184	222,872	9,035	13,251	347,342
Selling, general and administrative expenses	165	49,191	293,296	10,460	-	353,112
Restructuring and impairment charges	-	-	67,001	-	-	67,001
Total operating expenses	165	49,191	360,297	10,460	-	420,113
Operating income (loss)	(165)	52,993	(137,425)	(1,425)	13,251	(72,771)
Interest and other miscellaneous income (expense), net	(52,522)	(135,736)	43	83	191,487	3,355
Interest and other related financing costs	-	11,459	305	-	-	11,764
Income (loss) before income tax expense	(52,687)	(94,202)	(137,687)	(1,342)	204,738	(81,180)
Income tax expense (benefit)	-	(28,493)	-	-	-	(28,493)
Net income/(loss)	$ (52,687)	$ (65,709)	$ (137,687)	$ (1,342)	$ 204,738	$ (52,687)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
(in thousands)
Year Ended June 30, 2008

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net sales	$ -	$ 617,547	$982,404	$ 27,192	$ (647,098)	$ 980,045
Cost of sales	-	436,642	648,437	14,279	(645,378)	453,980
Gross profit	-	180,905	333,967	12,913	(1,720)	526,065
Selling, general and administrative expenses	166	50,555	359,719	12,789	-	423,229
Restructuring and impairment charges	-	-	6,836	-	-	6,836
Total operating expenses	166	50,555	366,555	12,789	-	430,065
Operating income (loss)	(166)	130,350	(32,588)	124	(1,720)	96,000
Interest and other miscellaneous income (expense), net	58,238	(24,901)	603	121	(26,170)	7,891
Interest and other related financing costs	-	11,408	305	-	-	11,713
Income (loss) before income tax expense	58,072	94,041	(32,290)	245	(27,890)	92,178
Income tax expense (benefit)	-	33,995	111	-	-	34,106
Net income/(loss)	$ 58,072	$ 60,046	$ (32,401)	$ 245	$ (27,890)	$58,072

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
(in thousands)
Year Ended June 30, 2007

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net sales	$ -	$ 655,967	$ 959,799	$ 22,704	$ (633,158)	$ 1,005,312
Cost of sales	-	461,479	636,246	11,018	(630,014)	478,729
Gross profit	-	194,488	323,553	11,686	(3,144)	526,583
Selling, general and administrative expenses	166	45,232	346,051	10,573	-	402,022
Restructuring and impairment charges	-	-	13,442	-	-	13,442
Total operating expenses	166	45,232	359,493	10,573	-	415,464
Operating income (loss)	(166)	149,256	(35,940)	1,113	(3,144)	111,119
Interest and other miscellaneous income (expense), net	69,393	(26,137)	(97)	(55)	(32,735)	10,369
Interest and other related financing costs	-	11,457	305	-	-	11,762
Income (loss) before income tax expense	69,227	111,662	(36,342)	1,058	(35,879)	109,726
Income tax expense (benefit)	-	39,013	1,486	-	-	40,499
Net income/(loss)	$ 69,227	$ 72,649	$ (37,828)	$ 1,058	$ (35,879)	$ 69,227

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
(in thousands)
Year Ended June 30, 2009

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net cash provided by (used in) operating activities	$ 23,615	$ (20,986)	$ 18,710	$ 594	$ -	$ 21,933
Cash flows from investing activities:						
Capital expenditures	-	(1,337)	(21,097)	(103)	-	(22,537)
Acquisitions	-	-	(1,366)	-	-	(1,366)
Proceeds from the disposal of property, plant and equipment	-	88	6,296	-	-	6,384
Other	-	210	(217)	-	-	(7)
Net cash used in investing activities	-	(1,039)	(16,384)	(103)	-	(17,526)
Cash flows from financing activities:						
Payments on long-term debt	-	-	(41)	-	-	(41)
Purchases and other retirements of company stock	-	-	-	-	-	-
Proceeds from issuance of common stock	2	-	-	-	-	2
(Increase) decrease in deferred financing costs	-	(1,380)	-	-	-	(1,380)
Dividends paid	(23,617)	-	-	-	-	(23,617)
Net cash provided by (used in) financing activities	(23,615)	(1,380)	(41)	-	-	(25,036)
Effect of exchange rate changes on cash	-	-	-	(787)	-	(787)
Net increase (decrease) in cash and cash equivalents	-	(23,405)	2,285	(296)	-	(21,416)
Cash and cash equivalents – beginning of period	-	71,117	1,307	1,952	-	74,376
Cash and cash equivalents – end of period	$ -	$ 47,712	$ 3,592	$ 1,656	$ -	$ 52,960

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
(in thousands)
Year Ended June 30, 2008

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net cash provided by (used in) operating activities	$ 100,598	$ (68,050)	$ 52,512	$ 1,077	$ -	$ 86,137
Cash flows from investing activities:						
Capital expenditures	-	(5,217)	(54,784)	(37)	-	(60,038)
Acquisitions	-	-	(7,777)	-	-	(7,777)
Proceeds from the disposal of property, plant and equipment	-	-	6,943	-	-	6,943
Other	-	38	(500)	-	-	(462)
Net cash used in investing activities	-	(5,179)	(56,118)	(37)	-	(61,334)
Cash flows from financing activities:						
Payments on long-term debt	-	-	(40)	-	-	(40)
Purchases and other retirements of company stock	(75,577)	-	-	-	-	(75,577)
Proceeds from issuance of common stock	474	-	-	-	-	474
Excess tax benefits from share-based payment arrangements	-	2,093	-	-	-	2,093
Dividends paid	(25,495)	-	-	-	-	(25,495)
Net cash provided by (used in) financing activities	(100,598)	2,093	(40)	-	-	(98,545)
Effect of exchange rate changes on cash	-	-	-	239	-	239
Net increase (decrease) in cash and cash equivalents	-	(71,136)	(3,646)	1,279	-	(73,503)
Cash and cash equivalents – beginning of period	-	142,253	4,953	673	-	147,879
Cash and cash equivalents – end of period	$ -	$ 71,117	$ 1,307	$ 1,952	$ -	$ 74,376

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
(in thousands)
Year Ended June 30, 2007

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net cash provided by (used in) operating activities	$ 81,428	$ (32,386)	$ 69,841	$ 306	$ -	$ 119,189
Cash flows from investing activities:						
Capital expenditures	-	(2,713)	(56,084)	(276)	-	(59,073)
Acquisitions	-	-	(15,297)	-	-	(15,297)
Proceeds from the disposal of property, plant and equipment	-	-	5,431	-	-	5,431
Other	-	198	-	-	-	198
Net cash used in investing activities	-	(2,515)	(65,950)	(276)	-	(68,741)
Cash flows from financing activities:						
Payments on long-term debt	-	-	(38)	-	-	(38)
Payment of deferred financing costs	-	(107)	-	-	-	(107)
Purchases and other retirements of company stock	(57,152)	-	-	-	-	(57,152)
Proceeds from the issuance of common stock	521	-	-	-	-	521
Excess tax benefits from share-based payment arrangements	-	5,015	-	-	-	5,015
Dividends paid	(24,797)	-	-	-	-	(24,797)
Net cash provided by (used in) financing activities	(81,428)	4,908	(38)	-	-	(76,558)
Effect of exchange rate changes on cash	-	-	-	188	-	188
Net increase (decrease) in cash and cash equivalents	-	(29,993)	3,853	218	-	(25,922)
Cash and cash equivalents – beginning of period	-	172,246	1,100	455	-	173,801
Cash and cash equivalents – end of period	$ -	$ 142,253	$ 4,953	$ 673	$ -	$ 147,879

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

No changes in, or disagreements with, accountants as a result of accounting or financial disclosure matters, occurred during fiscal years 2009, 2008 or 2007.

Item 9A. Controls and Procedures

Management's Report on Disclosure Controls and Procedures

Our management, including the Chairman of the Board and Chief Executive Officer ("CEO") and the Vice President-Finance ("VPF"), conducted an evaluation of the effectiveness of disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, the CEO and VPF have concluded that, as of June 30, 2009, our disclosure controls and procedures were effective in ensuring that material information relating to us (including our consolidated subsidiaries), which is required to be disclosed by us in our periodic reports filed or submitted under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (ii) accumulated and communicated to management, including the CEO and VPF, as appropriate, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f) and 15d-15(f). Under the supervision and with the participation of management, including the CEO and VPF, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on that evaluation, management concluded that our internal control over financial reporting was effective as of June 30, 2009.

KPMG LLP, the independent registered public accounting firm that audited the consolidated financial statements included in this Annual Report on Form 10-K, has also audited the effectiveness of our internal control over financial reporting as of June 30, 2009, as stated in their report included under Item 8 of this Annual Report.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fourth fiscal quarter ended June 30, 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Except as set forth below, the information required by Items 10, 11, 12, 13 and 14 will appear in the Ethan Allen Interiors Inc. proxy statement for the Annual Meeting of Shareholders scheduled to be held on November 17, 2009 (the "Proxy Statement"). The Proxy Statement, which will be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934, is incorporated by reference in this Annual Report pursuant to General Instruction G(3) of Form 10-K (other than the portions thereof not deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934). In addition, the information set forth below is provided as required by Item 10 and the listing standards of the New York Stock Exchange ("NYSE").

Item 10. Directors, Executive Officers and Corporate Governance

Code of Ethics

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

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

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

Audit Committee Financial Expert

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

Clinton A. Clark
Kristin Gamble
Richard A. Sandberg

All persons identified as audit committee financial experts are independent from management as defined by Item 7(d)(3), of Schedule 14A.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Equity Compensation Plan Information

The following table sets forth certain information regarding our equity compensation plans at June 30, 2009.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in first column)
Equity compensation plans approved by security holders (1)	2,165,136	$ 28.85	1,105,260
Equity compensation plans not approved by security holders (2)	-	-	-
Total	2,165,136	$ 28.85	1,105,260

(1) Amount includes stock options outstanding under our 1992 Stock Option Plan (the "Plan") as well as nonvested shares of restricted stock and vested Stock Units which have been provided for under the provisions of the Plan. See Note 11 to our Consolidated Financial Statements included under Item 8 of this Annual Report.

(2) As of June 30, 2009, we do not maintain any equity compensation plans which have not been approved by our shareholders.

NYSE Certification

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

PART IV

Item 15. Exhibits and Financial Statement Schedules

I. Listing of Documents

(1) *Financial Statements*. Our Consolidated Financial Statements, included under Item 8 hereof, as required at June 30, 2009 and 2008, and for the years ended June 30, 2009, 2008 and 2007 consist of the following:

Consolidated Balance Sheets

Consolidated Statements of Operations

Consolidated Statements of Cash Flows

Consolidated Statements of Shareholders' Equity

Notes to Consolidated Financial Statements

(2) *Financial Statement Schedule.* Our Financial Statement Schedule, appended hereto, as required for the years ended June 30, 2009, 2008 and 2007 consists of the following:

Valuation and Qualifying Accounts

The schedules listed in Reg. 210.5-04, except those listed above, have been omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

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

Exhibit Number	Exhibit
3 (a)	Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3(c) to the Registration Statement on Form S-1 of the Company filed with the SEC on March 16, 1993)
3 (a)-1	Certificate of Amendment to Restated Certificate of Incorporation as of August 5, 1997 (incorporated by reference to Exhibit 3(c)-2 to the Quarterly Report on Form 10-Q of the Company filed with the SEC on May 13, 1999)
3 (a)-2	Second Certificate of Amendment to Restated Certificate of Incorporation as of March 27, 1998 (incorporated by reference to Exhibit 3(c)-3 to the Quarterly Report on Form 10-Q of the Company filed with the SEC on May 13, 1999)
3 (a)-3	Third Certificate of Amendment to Restated Certificate of Incorporation as of April 28, 1999 (incorporated by reference to Exhibit 3(c)-4 to the Quarterly Report on Form 10-Q of the Company filed with the SEC on May 13, 1999)
3 (b)	Certificate of Designation relating to the New Convertible Preferred Stock (incorporated by reference to the Registration Statement on Form S-1 of the Company filed with the SEC on March 16, 1993)
3 (c)	Certificate of Designation relating to the Series C Junior Participating Preferred Stock (incorporated by reference to Exhibit 1 to Form 8-A of the Company filed with the SEC on July 3, 1996)

3 (c)-1	Certificate of Amendment of Certificate of Designation of Series C Junior Participating Preferred Stock (incorporated by reference to Exhibit 3(c)-1 to the Annual Report on Form 10-K of the Company filed with the SEC on September 13, 2005
3 (d)	Amended and Restated By-laws of the Company (incorporated by reference to Exhibit 3(d) to the Registration Statement on Form S-1 of the Company filed with the SEC on March 16, 1993)
3 (e)	Certificate of Incorporation of Ethan Allen Global, Inc. (incorporated by reference to Exhibit 3(e) to the Registration Statement on Form S-4 of Ethan Allen Global, Inc. filed with the SEC on February 3, 2006)
3 (f)	By-laws of Ethan Allen Global, Inc. (incorporated by reference to Exhibit 3(f) to the Registration Statement on Form S-4 of Ethan Allen Global, Inc. filed with the SEC on February 3, 2006)
3 (g)	Restated Certificate of Incorporation of Ethan Allen Inc. (now known as, Ethan Allen Retail, Inc.) (incorporated by reference to Exhibit 3(g) to the Registration Statement on Form S-4 of Ethan Allen Global, Inc. filed with the SEC on February 3, 2006)
3 (g)-1	Certificate of Amendment of Restated Certificate of Incorporation of Ethan Allen Inc. (now known as Ethan Allen Retail, Inc.) as of June 29, 2005 (incorporated by reference to Exhibit 3(g)-1 to the Registration Statement on Form S-4 of Ethan Allen Global, Inc. filed with the SEC on February 3, 2006)
3 (h)	Amended and Restated By-laws of Ethan Allen Inc. (now known as Ethan Allen Retail, Inc.) (incorporated by reference to Exhibit 3(h) to the Registration Statement on Form S-4 of Ethan Allen Global, Inc. filed with the SEC on February 3, 2006)
3 (i)	Certificate of Incorporation of Ethan Allen Manufacturing Corporation (now known as Ethan Allen Operations, Inc.) (incorporated by reference to Exhibit 3(i) to the Registration Statement on Form S-4 of Ethan Allen Global, Inc. filed with the SEC on February 3, 2006)
3 (i)-1	Certificate of Amendment of Certificate of Incorporation of Ethan Allen Manufacturing Corporation (now known as, Ethan Allen Operations, Inc.) as of June 29, 2005 (incorporated by reference to Exhibit 3(i)-1 to the Registration Statement on Form S-4 of Ethan Allen Global, Inc. filed with the SEC on February 3, 2006)
3 (j)	By-laws of Ethan Allen Manufacturing Corporation (now known as, Ethan Allen Operations, Inc.) (incorporated by reference to Exhibit 3(j) to the Registration Statement on Form S-4 of Ethan Allen Global, Inc. filed with the SEC on February 3, 2006)
3 (k)	Certificate of Formation of Ethan Allen Realty, LLC (incorporated by reference to Exhibit 3(k) to the Registration Statement on Form S-4 of Ethan Allen Global, Inc. filed with the SEC on February 3, 2006)
3 (l)	Limited Liability Company Operating Agreement of Ethan Allen Realty, LLC (incorporated by reference to Exhibit 3(l) to the Registration Statement on Form S-4 of Ethan Allen Global, Inc. filed with the SEC on February 3, 2006)
3 (l)-1	Amendment No. 1 to Operating Agreement of Ethan Allen Realty, LLC as of June 30, 2005 (incorporated by reference to Exhibit 3(l)-1 to the Registration Statement on Form S-4 of Ethan Allen Global, Inc. filed with the SEC on February 3, 2006)
3 (m)	Certificate of Incorporation of Lake Avenue Associates, Inc. (incorporated by reference to Exhibit 3(m) to the Registration Statement on Form S-4 of Ethan Allen Global, Inc. filed with the SEC on February 3, 2006)
3 (n)	By-laws of Lake Avenue Associates, Inc. (incorporated by reference to Exhibit 3(n) to the Registration Statement on Form S-4 of Ethan Allen Global, Inc. filed with the SEC on February 3, 2006)
3 (o)	Certificate of Incorporation of Manor House, Inc. (incorporated by reference to Exhibit 3(o) to the Registration Statement on Form S-4 of Ethan Allen Global, Inc. filed with the SEC on February 3, 2006)

3 (p)	Restated By-laws of Manor House, Inc. (incorporated by reference to Exhibit 3(p) to the Registration Statement on Form S-4 of Ethan Allen Global, Inc. filed with the SEC on February 3, 2006)
4 (a)	Rights Agreement, dated July 26, 1996, between the Company and Harris Trust and Savings Bank (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of the Company filed with the SEC on July 3, 1996)
4 (a)-1	Amendment No. 1 to Rights Agreement, dated as of December 23, 2004 between the Company and Harris Trust Savings Bank and Computershare Investor Services, LLC (incorporated by reference to Exhibit 4(a)-1 to the Annual Report on Form 10-K of the Company filed with the SEC on September 13, 2005
4 (b)	Form of outstanding 5.375% Senior Note due 2015 pursuant to Rule 144A of the Securities Act (incorporated by reference to Exhibit A to Exhibit 10.2 to the Current Report on Form 8-K of the Company filed with the SEC on September 30, 2005)
4 (c)	Indenture dated September 27, 2005, by and among Ethan Allen Global, Inc., the Guarantors named therein, and the Initial Purchaser named therein, relating to the Notes (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K of Ethan Allen Interiors Inc. filed with the SEC on September 30, 2005)
4 (d)	Form of Exchange Note (incorporated by reference to Exhibit 4(d) to the Registration Statement on Form S-4 of Ethan Allen Global, Inc. filed with the SEC on February 3, 2006)
10 (a)	Restated Directors Indemnification Agreement dated March 1993, among the Company and Ethan Allen and their Directors (incorporated by reference to Exhibit 10(c) to the Registration Statement on Form S-1 of the Company filed with the SEC on March 16, 1993)
10 (b)	The Ethan Allen Retirement Savings Plan as Amended and Restated, effective January 1, 2006 (incorporated by reference to Exhibit 10(b)-7 to the Quarterly Report on Form 10-Q of the Company filed with the SEC on November 5, 2007
10 (c)	General Electric Capital Corporation Credit Card Program Agreement dated August 25, 1995 (incorporated by reference from Exhibit 10(h) to the Annual Report on Form 10-K of the Company filed with the SEC on September 21, 1995)
10 (c)-1	First Amendment to Credit Card Program Agreement dated February 22, 2000 (incorporated by reference to Exhibit 10(h)-1 to the Annual Report on Form 10-K of the Company filed with the SEC on September 13, 2000)
10 (d)	Sales Finance Agreement, dated June 25, 1999, between the Company and MBNA America Bank, N.A. (incorporated by reference to Exhibit 10(j) to the Annual Report on Form 10-K of the Company filed with the SEC on September 13, 2000)
10 (e)	Second Amended and Restated Private Label Consumer Credit Card Program Agreement, dated as of July 23, 2007, by and between Ethan Allen Global, Inc., Ethan Allen Retail, Inc. and GE Money Bank (incorporated by reference to Exhibit 10(e)-3 to the Quarterly Report on Form 10-Q of the Company filed with the SEC on November 5, 2007)
10 (f)	Employment Agreement, dated As of November 13, 2007, between Mr. Kathwari and Ethan Allen Interiors Inc. (incorporated by reference to Exhibit 10(h) to the Current Report on Form 8-K of the Company filed with the SEC on November 19, 2007
10 (g)-1	Credit Agreement, dated as of July 21, 2005, by and among Ethan Allen Global, Inc., Ethan Allen Interiors Inc., the J.P. Morgan Chase Bank, N.A., Citizens Bank of Massachusetts, Wachovia Bank, N.A. and certain other lenders (incorporated by reference to Exhibit 10 (g) to Amendment No. 4 to the Registration Statement on Form S-4 of Ethan Allen Global, Inc. filed with

		the SEC on March 9, 2006) (confidential treatment granted under Rule 24b-2 as to certain portions which are omitted and filed separately with the SEC)
	10. (g)-2	Credit Agreement, dated as of May 29, 2009, among Ethan Allen Global, Inc., Ethan Allen Interiors Inc., J.P. Morgan Chase Bank, N.A., and Capital One Leverage Finance Corp (confidential treatment requested as to certain portions. Incorporated by reference to Exhibit 10(g)-2 to the Annual Report on Form 10-K of the Company filed with the SEC on August 24, 2009)
	10 (h)	Amended and Restated 1992 Stock Option Plan (incorporated by reference to Exhibit 10(f) to the Current Report on Form 8-K of the Company filed with the SEC on November 19, 2007)
	10 (h)-1	Form of Option Agreement for Grants to Independent Directors (incorporated by reference to Exhibit 10(h)-4 to the Annual Report on Form 10-K of the Company filed with the SEC on September 13, 2005
	10 (h)-2	Form of Option Agreement for Grants to Employees (incorporated by reference to Exhibit 10(h)-5 to the Annual Report on Form 10-K of the Company filed with the SEC on September 13, 2005
	10(h)-3	Form of Restricted Stock Agreement for Executives (incorporated by reference to Exhibit 10(f)-1 to the Current Report on Form 10-8 of the Company filed with the SEC on November 19, 2007
	10(h)-4	Form of Restricted Stock Agreement for Directors (incorporated by reference to Exhibit 10(f)-2 to the Current Report on Form 8-K of the Company filed with the SEC on November 19, 2007
	10 (i)	Purchase Agreement dated September 22, 2005, by and between Ethan Allen Global, Inc., the Guarantors named therein, and the Initial Purchaser named therein, relating to the Initial Notes (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of the Company filed with the SEC on September 30, 2005)
	10 (j)	Registration Rights Agreement dated September 27, 2005, by and among Ethan Allen Global, Inc., the Guarantors named therein, and the Initial Purchaser named therein, relating to the Notes (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K of Ethan Allen Interiors Inc. filed with the SEC on September 30, 2005)
	12. (a)	Computation of Ratio of Earnings to Fixed Charges (Incorporated by reference to Exhibit 12.(a) to the Annual Report on Form 10-K of the Company filed with the SEC on August 24, 2009)
	21	List of wholly-owned subsidiaries of the Company (Incorporated by reference to Exhibit 21 to the Annual Report on Form 10-K of the Company filed with the SEC on August 24, 2009)
*	23	Consent of KPMG LLP
*	31.1	Rule 13a-14(a) Certification of Principal Executive Officer
*	31.2	Rule 13a-14(a) Certification of Principal Financial Officer
*	32.1	Section 1350 Certification of Principal Executive Officer
*	32.2	Section 1350 Certification of Principal Financial Officer

* Filed herewith.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
As of and for the Fiscal Years Ended June 30, 2009, 2008 and 2007
(In thousands)

	Balance at Beginning of Period	Additions (Reductions) Charged to Income	Adjustments and/or Deductions	Balance at End of Period
Accounts Receivable:				
Sales discounts, sales returns and allowance for doubtful accounts:				
June 30, 2009	$ 2,535	$ (773)	$ (400)	$ 1,362
June 30, 2008	$ 2,042	$ 493	$ -	$ 2,535
June 30, 2007	$ 2,074	$ 10	$ (42)	$ 2,042
Inventory:				
Inventory valuation allowance:				
June 30, 2009	$ 2,260	$ -	$ (56)	$ 2,204
June 30, 2008	$ 2,930	$ -	$ (670)	$ 2,260
June 30, 2007	$ 2,930	$ -	$ -	$ 2,930

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

ETHAN ALLEN INTERIORS INC.
(Registrant)

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

By /s/ David R. Callen
(David R. Callen)
Vice President, Finance and Treasurer
(Principal Financial Officer and
Principal Accounting Officer)

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

/s/ M. Farooq Kathwari (M. Farooq Kathwari)	Chairman, President and Chief Executive Officer (Principal Executive Officer)
/s/ David R. Callen (David R. Callen)	Vice President, Finance and Treasurer (Principal Financial Officer and Principal Accounting Officer)
/s/ John P. Birkelund (John P. Birkelund)	Director
/s/ Clinton A. Clark (Clinton A. Clark)	Director
/s/ Kristin Gamble (Kristin Gamble)	Director
/s/ Edward H. Meyer (Edward H. Meyer)	Director
/s/ Richard A. Sandberg (Richard A. Sandberg)	Director
/s/ Frank G. Wisner (Frank G. Wisner)	Director

Date: August 27, 2009

CORPORATE DATA

Corporate Headquarters
ETHAN ALLEN INTERIORS INC.
ETHAN ALLEN DRIVE
DANBURY, CT 06811
203.743.8000
www.ethanallen.com

Transfer Agent
COMPUTERSHARE INVESTOR SERVICES, LLC
2 NORTH LASALLE STREET
P.O. BOX A3504
CHICAGO, IL 60690-3504
312.360.5196

Independent Certified Public Accountants
KPMG LLP
3001 SUMMER STREET
STAMFORD, CT 06905
203.356.9800

Stock Exchange Listing
NEW YORK STOCK EXCHANGE
ETHAN ALLEN INTERIORS INC.
TRADING SYMBOL: ETH

Investor Relations
DAVID R. CALLEN
VICE PRESIDENT, FINANCE AND TREASURER
203.743.8305
dcallen@ethanalleninc.com

Design
ETHAN ALLEN GLOBAL, INC.

DIRECTORS

Farooq Kathwari
CHAIRMAN OF THE BOARD, PRESIDENT
AND CHIEF EXECUTIVE OFFICER

John P. Birkelund
CO-FOUNDER AND MANAGING DIRECTOR,
SARATOGA PARTNERS

Clinton A. Clark
PRESIDENT AND SOLE STOCKHOLDER
OF CAC INVESTMENTS, INC.

Kristin Gamble
PRESIDENT,
FLOOD GAMBLE ASSOCIATES, INC.

Edward H. Meyer
CHAIRMAN OF THE BOARD AND
CHIEF EXECUTIVE OFFICER,
OCEAN ROAD ADVISORS, INC.

Richard A. Sandberg
CHIEF FINANCIAL OFFICER OF
OXFORD IMMUNOTEC, LTD.

Ambassador Frank G. Wisner
INTERNATIONAL AFFAIRS ADVISOR OF
PATTON BOGGS LLP.

OFFICERS

Farooq Kathwari
CHAIRMAN OF THE BOARD, PRESIDENT
AND CHIEF EXECUTIVE OFFICER

Pamela A. Banks
VICE PRESIDENT, GENERAL COUNSEL
AND SECRETARY

David R. Callen
VICE PRESIDENT, FINANCE AND TREASURER

Don Garrett
VICE PRESIDENT, CASE GOODS
MANUFACTURING

Daniel M. Grow
VICE PRESIDENT, BUSINESS DEVELOPMENT

Henry Kapteina
DIRECTOR, INTERNAL AUDIT

Sandra Lamenza
GENERAL MANAGER, ETHAN ALLEN HOTEL

James D. McCreary
VICE PRESIDENT, FURNITURE SOURCING

Jack Moll
GENERAL MANAGER, PHYSICAL DISTRIBUTION

Nora Murphy
EXECUTIVE VICE PRESIDENT,
STYLE AND ADVERTISING

Kenneth Musante
MANUFACTURING CONTROLLER

Tracy Paccione
VICE PRESIDENT, MERCHANDISING

Craig Stout
VICE PRESIDENT, PRODUCT DEVELOPMENT—
CASE GOODS AND UPHOLSTERY

Lynda W. Stout
VICE PRESIDENT, RETAIL DIVISION

Clifford Thorn
VICE PRESIDENT, UPHOLSTERY
MANUFACTURING

Corey Whitely
EXECUTIVE VICE PRESIDENT, OPERATIONS

Ann M. Zaccaria
VICE PRESIDENT, REAL ESTATE

ETHAN ALLEN®