

ETHAN ALLEN INTERIORS INC
Form PRE 14A
September 22, 2016

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

SCHEDULE 14A

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

ETHAN ALLEN INTERIORS INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
- (1) Title of each class of securities to which transaction applies:
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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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ETHAN ALLEN INTERIORS INC.
Ethan Allen Drive
Danbury, Connecticut 06811

October 4, 2016

Dear Fellow Stockholders:

You are cordially invited to attend the Ethan Allen Interiors Inc. 2016 Annual Meeting of Stockholders. This meeting will be held at 10 a.m. on Wednesday, November 16, 2016, at the Ethan Allen International Corporate Headquarters on Ethan Allen Drive in Danbury, Connecticut.

I am pleased to advise you that we continue to review our organizational documents and proactively update them to a current level of governance best practices. In preparation for the meeting, we have prepared a Notice of the Meeting, Proxy Statement, and 2016 Annual Report to Stockholders. These materials provide detailed information relating to our activities and operating performance.

This year, we are once again using the Internet as our primary means of furnishing proxy materials to stockholders. Accordingly, most stockholders will not receive paper copies of our proxy materials. We instead will mail to our stockholders a Notice Regarding the Availability of Proxy Materials. This notice will contain instructions on how to access proxy materials and vote via the Internet. The Notice Regarding the Availability of Proxy Materials also provides information on how stockholders may obtain paper copies of our proxy materials if they so choose. Electronic delivery will expedite the receipt of materials while lowering costs and reducing the environmental impact of our annual meeting by reducing printing and mailing costs.

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

You may vote via the Internet, by telephone or, if you receive a paper proxy card in the mail, by mailing the completed proxy card. Your vote is very important to us, and we hope you will be able to attend the meeting. To ensure your representation at the meeting, even if you anticipate attending in person, we urge you to vote by proxy. If you attend, you will, of course, be entitled to vote in person.

Whether or not you plan to attend the Annual Meeting of Stockholders, we encourage you to vote your shares.

Sincerely,

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

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ETHAN ALLEN INTERIORS INC.

NOTICE OF 2016 ANNUAL MEETING OF STOCKHOLDERS

Wednesday, November 16, 2016

10:00 AM EST

Ethan Allen International Corporate Headquarters

Ethan Allen Drive

Danbury, Connecticut 06811

To our Stockholders:

The 2016 Annual Meeting of Stockholders of Ethan Allen Interiors Inc. will be held for the purpose of considering and acting upon the following matters:

- | | |
|-------------|---|
| Proposal 1. | to elect seven director nominees identified in the following proxy statement to serve until the 2017 Annual Meeting of Stockholders; |
| Proposal 2. | to approve by-law amendments related to the procedures for stockholders to nominate directors or propose other matters for consideration at stockholder meetings; |
| Proposal 3. | to approve by-law amendments to implement "proxy access"; |
| Proposal 4. | to approve by-law amendments to implement majority voting in uncontested director elections; |
| Proposal 5. | to approve certificate of incorporation and by-law amendments to allow for stockholder removal of directors with or without cause and to delete obsolete provisions from, and effect clarifying changes to, the certificate of incorporation; |
| Proposal 6. | to approve by a non-binding advisory vote, executive compensation of the Company's Named Executive Officers; |
| Proposal 7. | to ratify the appointment of KPMG LLP as our independent registered public accounting firm for the 2017 fiscal year; and |
- to transact such other business as may properly come before the meeting.

In accordance with New York Stock Exchange ("NYSE") rules, your broker will not be able to vote your shares with respect to any non-routine matters if you have not given your broker specific instructions to do so. The only routine matter to be voted on at the Annual Meeting is the ratification of the appointment of our independent registered public accounting firm for the current year (Proposal 7). All other matters to be voted upon are considered non-routine matters under applicable rules. A broker or other nominee cannot vote without instructions on non-routine matters, and therefore broker non-votes may exist in connection with such proposals.

The Board of Directors has fixed September 21, 2016 as the record date for determining stockholders entitled to notice of, and to vote at, the meeting. It is important that your shares be represented and voted at the meeting. If you received the proxy materials by mail, you can vote your shares by completing, signing, dating, and returning your completed proxy card, or you may vote by telephone or over the Internet. If you received the proxy materials over the Internet, a proxy card was not sent to you, and you may vote your shares by telephone or over the Internet. To vote by telephone or Internet, follow the instructions included in the Notice Regarding the Availability of Proxy Materials, the Proxy Statement or on the Internet. You can revoke a proxy at any time prior to its exercise at the meeting by following the instructions in the Proxy Statement.

These proxy materials are first being made available on the Internet on or around [October 4, 2016.].

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be held on November 16, 2016. The proxy statement and the annual report are available at <http://materials.proxyvote.com/297602>

By Order of the Board of Directors,

Eric D. Koster
Corporate Secretary
October 4, 2016

ETHAN ALLEN INTERIORS INC.

Ethan Allen Drive, Danbury, Connecticut 06811

PROXY STATEMENT

for Annual Meeting of Stockholders 2016

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PROXY STATEMENT

ABOUT THE ANNUAL MEETING

This proxy statement (this "Proxy Statement") and the accompanying proxy or voting instruction card relate to the 2016 Annual Meeting of Stockholders (the "Annual Meeting") of Ethan Allen Interiors Inc., a Delaware corporation ("Ethan Allen") to be held at the Ethan Allen Corporate Headquarters, Ethan Allen Drive, Danbury, Connecticut 06811 at 10:00 A.M., Eastern Time, on Wednesday, November 16, 2016. The Board of Directors of the Company (the "Board of Directors" or "Board") is soliciting proxies from stockholders in order to provide every stockholder an opportunity to vote on all matters submitted to a vote of stockholders at the Annual Meeting, whether or not such stockholder attends in person. The proxy authorizes a person other than a stockholder, called the "proxyholder," who will be present at the Annual Meeting, to cast the votes that the stockholder would be entitled to cast at the Annual Meeting if the stockholder were present. It is expected that this Proxy Statement and the accompanying proxy or voting instruction card will be first mailed or delivered to our stockholders beginning on or about [October 4, 2016.]. When used in this Proxy Statement, "we," "us," "our," "Ethan Allen" or the "Company" refers to Ethan Allen and its subsidiaries collectively or, if the context so requires, Ethan Allen individually.

Q: **What is the purpose of Annual Meeting?**

A: We will hold the Annual Meeting to enable stockholders to vote on the following matters:

- Proposal 1. to elect seven director nominees identified in the following proxy statement to serve until the 2017 Annual Meeting of Stockholders;
- Proposal 2. to approve by-law amendments related to the procedures for stockholders to nominate directors or propose other matters for consideration at stockholder meetings;
- Proposal 3. to approve by-law amendments to implement "proxy access";
- Proposal 4. to approve by-law amendments to implement majority voting in uncontested director elections;
- Proposal 5. to approve certificate of incorporation and by-law amendments to allow for stockholder removal of directors with or without cause and to delete obsolete provisions from, and effect clarifying changes to, the certificate of incorporation;
- Proposal 6. to approve, by a non-binding advisory vote, executive compensation of the Company's Named Executive Officers;
- Proposal 7. to ratify the appointment of KPMG LLP as our independent registered public accounting firm for the 2017 fiscal year; and

to transact such other business as may properly come before the Annual Meeting.

Stockholders will be asked to vote for nominees for all director seats on the Board of Directors as of the Annual Meeting. The term of office for directors elected at the Annual Meeting will continue until the 2017 Annual Meeting of Stockholders and until their successors are duly elected and qualified or until their earlier removal, resignation or death. The Board of Directors' nominees for election are: M. Farooq Kathwari, James B. Carlson, John J. Dooner, Jr., Domenick J. Esposito, Mary Garrett, James W. Schmotter and Tara I. Stacom.

As of the date of this notice, we have not received notice of any other business that may be properly proposed at the Annual Meeting, but if any other business is properly proposed, the proxyholders named in the proxy or voting instruction card will have authority to vote as recommended by the Board of Directors.

Q:
What is a proxy?

A:
A proxy is a document by which you authorize someone else to vote for you at a stockholders meeting in the way that you want to vote. That document is called a "proxy" or, if your shares are held in street name and you give instructions to the record holder of your shares, is called a "voting instruction card." You also may choose to abstain from voting.

This Proxy Statement and the accompanying proxy or voting instruction card is furnished in connection with the solicitation by the Board of Directors, of proxies for use at the Annual Meeting to be held on Wednesday, November 16, 2016 at the Ethan Allen International Corporate Headquarters, Ethan Allen Drive, Danbury, Connecticut 06811 at 10:00 A.M., Eastern Time, or any adjournment thereof. The Notice Regarding the Availability of Proxy Materials, this Proxy Statement and our 2016 annual report to Stockholders ("Annual Report") are first being made available to stockholders on or about [October 4, 2016].

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Q: Who is entitled to vote?

A: Only record holders of shares of our Common Stock, par value \$.01 per share ("Common Stock"), at the close of business on the record date for the Annual Meeting are entitled to vote at the Annual Meeting. The Board of Directors has fixed the close of business on September 21, 2016 as the record date (the "Record Date") for the determination of stockholders entitled to notice of, and to vote at, the Annual Meeting. As of the Record Date, the Company had 27,758,319 shares of Common Stock outstanding. The holders of Common Stock as of the Record Date are entitled to notice of, and to vote at, the Annual Meeting. Holders of Common Stock are entitled to one vote per share.

Q: How can I access the proxy materials on the Internet?

A: In accordance with the rules of the U.S. Securities and Exchange Commission (the "SEC"), we are using the Internet as the primary means of furnishing proxy materials to stockholders. Accordingly, most stockholders will not receive paper copies of our proxy materials. We instead sent stockholders a Notice Regarding the Availability of Proxy Materials (the "Notice") with instructions for accessing the proxy materials via the Internet and voting via the Internet or by telephone. The Notice was mailed on or about [October 4, 2016.]. The Notice also provides information on how stockholders may obtain paper copies of our proxy materials if they so choose. Additionally, and in accordance with SEC rules, you may access our proxy materials at <http://materials.proxyvote.com/297602>.

The Notice provides you with instructions regarding how to:

view the proxy materials for the Annual Meeting on the Internet and execute a proxy; and

instruct us to send future proxy materials to you in printed form or electronically by e-mail.

Choosing to receive future proxy materials by e-mail will save us the cost of printing and mailing documents to you and will reduce the impact of our annual meetings on the environment. If you choose to receive future proxy materials by e-mail, you will receive an e-mail next year with instructions containing a link to those materials and a link to the proxy voting website. Your election to receive proxy materials by e-mail will remain in effect until you terminate it.

Q: How do I vote?

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

By mail If you are a stockholder of record, you can submit a proxy by completing, dating, signing and returning your proxy in the postage-paid envelope provided. You should sign your name exactly as it appears on the proxy. If you are signing in a representative capacity (for example, as a guardian, executor, trustee, custodian, attorney or officer of a corporation), please indicate your name and title or capacity. If you are a beneficial owner, you have the right to direct your brokerage firm, bank or other similar organization on how to vote your shares, and the brokerage firm, bank or other similar organization is required to vote your shares in accordance with your instructions. To provide instructions to your brokerage firm, bank or other similar organization by mail, please complete, date, sign and return your voting instruction card in the postage-paid envelope provided by your brokerage firm, bank or other similar organization.

By telephone If you are a stockholder of record, you can submit a proxy by telephone by calling the toll-free number listed on the proxy, entering your control number located on the proxy or voting instruction card and following the prompts. If you are a beneficial owner and if the brokerage firm, bank or other similar organization that holds your shares offers telephone

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voting, you will receive instructions from the brokerage firm, bank or other similar organization that you must follow in order to submit a proxy by telephone.

By Internet If you are a stockholder of record, you can submit a proxy over the Internet by logging on to the website listed on the proxy, entering your control number located on the proxy or voting instruction card and submitting a proxy by following the on-screen prompts. If you are a beneficial owner, and if the brokerage firm, bank or other similar nominee that holds your shares offers Internet voting, you will receive instructions from the brokerage firm, bank or other similar organization that you must follow in order to submit your proxy over the Internet.

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

Your vote is important. The Board urges you to submit a proxy for your shares as soon as possible by following the instructions provided on the enclosed proxy or voting instruction card you receive from your brokerage firm, bank or other similar organization. Internet and telephone submission of proxies is available 24 hours a day, and, if you use one of those methods, you do not need to return a proxy or voting instruction card. Unless you are planning to vote at the Annual Meeting in person, your proxy must be received by 11:59 p.m., Eastern Time, on Tuesday, November 15, 2016. Even if you submit your proxy or voting instructions by one of the methods listed above, you still may vote at the Annual Meeting in person if you are the record holder of

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your shares. If you are a beneficial owner, you must obtain a "legal proxy" from the record holder in order to vote your shares at the Annual Meeting. Your vote at the Annual Meeting will constitute a revocation of your earlier proxy or voting instructions.

Q: How can I vote my shares of Common Stock that I own through the Ethan Allen 401(k) plan for employees?

A: If you own Common Stock through the Ethan Allen 401(k) plan for employees, you can direct the trustee to vote the shares held in your account in accordance with your instructions by returning the voting instruction card for your account or by registering your instructions over the Internet or by telephone as directed on the voting instruction card for your account. If you wish to instruct the trustee on the voting of shares held in your account, you should submit those instructions no later than 11:59 p.m., Eastern Time, on Friday, November 11, 2016. The trustee will vote shares for which no voting instructions were received on or before that date as directed by the plan fiduciary.

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

A: Prior to the Annual Meeting, a later vote by any means will cancel any earlier vote. For example, if you vote by telephone and later vote differently on the Internet, the Internet vote will count, and the telephone vote will be canceled. If you wish to change your vote by mail, you should contact our Corporate Secretary or proxy solicitor at the addresses set forth below and request a new proxy or voting instruction card. The last vote received before the Annual Meeting will be the one counted. You also may change your vote by voting in person at the Annual Meeting.

Corporate Secretary

Eric D. Koster
PO BOX 1966
Danbury, CT 06813
(203) 743-8508

Proxy Solicitor

Georgeson LLC
1290 Avenue of the Americans, 9th Floor
New York, NY 10104
(866) 277-0928

Q: What does it mean if I get more than one proxy or voting instruction card?

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

Q: Who are the proxyholders named by the Board for the Annual Meeting?

A: Eric D. Koster and Corey Whitely were selected by the Board of Directors to serve as proxyholders for the Annual Meeting of stockholders voting on proxy or voting instruction cards. Each properly executed and returned proxy or voting instruction card will be voted by the proxyholders in accordance with the directions indicated thereon or, if no directions are indicated, in accordance with the recommendations of the Board of Directors. In voting by proxy with regard to the election of directors, stockholders may vote in favor of all nominees, vote in favor of one or more specific nominee(s), withhold their vote as to all nominees or withhold their vote as to one or more specific nominee(s). Each stockholder giving a proxy has the power to revoke it at any time before the shares it represents are voted. Revocation of a proxy is effective upon receipt of a later vote by telephone, Internet, receipt by the Corporate Secretary or inspectors of election of either an instrument revoking the proxy or a duly executed proxy card bearing a later date. Additionally, a stockholder may change or revoke a previously executed proxy by voting in person at the Annual Meeting.

Q: Will my shares be voted if I do not provide my proxy?

A: If you hold your shares directly in your own name, your shares will not be voted if you do not vote them or provide a proxy. If your shares are held in the name of a brokerage firm or other nominee, under rules of the New York Stock Exchange ("NYSE"), your broker may vote your shares on "routine" matters even if you do not provide a proxy. The only routine matter to be voted on at the

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Annual Meeting is the ratification of the appointment of our independent registered public accounting firm for 2017. If a brokerage firm votes your shares on these matters in accordance with these rules, your shares will count as present at the Annual Meeting for purposes of establishing a quorum and will count as "FOR" votes or "AGAINST" votes, as the case may be, depending on how the broker votes. If a brokerage firm signs and returns a proxy on your behalf that does not contain voting instructions, your shares will count as present at the Annual Meeting for quorum purposes and will be voted in connection with the selection of KPMG LLP as our independent public accounting firm for the 2017 fiscal year, but will not count as a "FOR" vote for any other matter.

Q:

What is a broker non-vote?

A:

A "broker non-vote" means that a broker cannot exercise discretion to vote shares held by it in "street name" for the beneficial owner and has not received voting instructions from the beneficial owner and the matter to be voted on is not "routine" under the NYSE rules.

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

A: In order for the Annual Meeting to be duly convened, one-third of the outstanding shares of Common Stock as of the Record Date must be present in person or represented by proxy at the Annual Meeting. This is referred to as a quorum. Abstentions, withheld votes and shares held of record by a brokerage firm, bank or similar organization, or its nominee ("broker shares"), pursuant to a signed proxy or voting instruction card that are voted on any matter are included in determining the number of shares present. If a brokerage firm signs and returns a proxy on your behalf that does not contain voting instructions, your shares will count as present at the Annual Meeting for quorum purposes.

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

A: At the Annual Meeting, the affirmative vote of a majority of the shares present, in person or by proxy, and entitled to vote thereon is required to elect each of the director nominees.

Q: **What vote is needed to approve the other Proposals?**

A: At the Annual Meeting, the affirmative vote of a majority of the shares present, in person or by proxy, and entitled to vote thereon is required to approve Proposal 7: the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the 2017 fiscal year, and Proposal 6: the approval, by non-binding advisory vote, of executive compensation of the Company's Named Executive Officers (collectively, the "NEOs").

Each of Proposals 2, 3, 4, and 5, which request stockholder approval for various amendments to the Company's Certificate of Incorporation and By-Laws, as applicable, require the affirmative vote of the holders of 66 ²/₃% of our outstanding shares of Common Stock.

Abstentions will be counted as present for the purposes of the votes on Proposals 1, 2, 3, 4, 5, 6 and 7, and therefore will have the same effect as a vote against each such proposal. Broker non-votes will not be counted as present and entitled to vote on Proposals 1, 2, 3, 4, 5 and 6, but will be counted as present and entitled to vote on Proposal 7.

Approval of the compensation of our NEOs is advisory and will not be binding on the Board of Directors or the Company. However, the Board of Directors will review the voting results of Proposal 6 and take them into consideration when making future decisions regarding executive compensation.

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

A: The inspectors of election appointed for the Annual Meeting will tabulate the votes cast, in person or by proxy, at the Annual Meeting and will determine whether a quorum is present.

Q: **How do I revoke a proxy?**

A: If you hold your shares registered in your name, you may revoke your proxy by submitting a revised one at any time before the vote to which the proxy relates. You may also revoke it by submitting a ballot at the meeting.

If your shares are held in street name, there are special procedures that you must follow to revoke a proxy submitted via the Internet or by telephone or by marking, signing and returning a vote instruction card.

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Revoking your vote and submitting a new vote before the deadline of 11:59 p.m., Eastern Time, on November 15, 2016. If you submit a proxy via the Internet, by telephone or by marking, signing and returning a vote instruction card, you may revoke your proxy at any time and by any method before the deadline.

Revoking your vote and submitting a new vote after the deadline of 11:59 p.m., Eastern Time, on November 15, 2016. If you submit a proxy via the Internet, by telephone or by marking, signing and returning a vote instruction card and wish to revoke it and submit a new proxy after the deadline has passed, you must contact your brokerage firm, bank or other similar organization and follow its requirements. We cannot assure you that you will be able to revoke your proxy and vote your shares by any of the methods described above.

Revoking your vote and submitting a new vote by ballot at the meeting. If you submit a proxy via the Internet, by telephone or by marking, signing and returning a vote instruction card and wish to revoke it and vote at the meeting, you must contact your brokerage firm, bank or other similar organization and follow its requirements. We cannot assure you that you will be able to revoke your proxy or attend and vote at the meeting.

If you receive more than one proxy or voting instruction card on or about the same time, it generally means you hold shares registered in more than one account. In order to vote all of your shares, please sign and return each proxy or voting instruction card or, if you vote via the internet or telephone, vote once for each proxy or voting instruction card you receive.

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

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

Annual Meeting Admission

Only stockholders and certain other permitted attendees may attend the Annual Meeting. Please note that space limitations make it necessary to limit attendance to stockholders and one guest. Admission to the Annual Meeting will be on a first-come, first-served basis. Proof of Ethan Allen stock ownership as of the record date, along with photo identification, will be required for admission. Stockholders holding stock in an account at a brokerage firm, bank, broker-dealer or other similar organization ("street name" holders) will need to bring a copy of a brokerage statement reflecting their stock ownership as of the record date. No cameras, recording equipment, electronic devices, use of cell phones or other mobile devices, large bags or packages will be permitted at the Annual Meeting.

Householding

To reduce the expense of delivering duplicate proxy materials to our stockholders, we are relying on the SEC rules that permit us to deliver only one set of proxy materials to multiple stockholders who share an address unless we receive contrary instructions from any stockholder at that address. This practice, known as "householding," reduces duplicate mailings, thus saving printing and postage costs as well as natural resources. Each stockholder retains a separate right to vote on all matters presented at the Annual Meeting. Once you have received notice from your broker or us that they or we will be householding materials to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you wish to receive a separate copy of the Annual Report or other proxy materials, free of charge, or if you wish to receive separate copies of future annual reports or proxy materials, please mail your request to Ethan Allen Interiors, Inc., PO BOX 1966, Danbury CT 06813-1966, attention: Corporate Secretary, or call us at (203) 743-8000.

BOARD OF DIRECTORS

Ethan Allen Interiors Inc. is a vertically integrated interior design and home furnishings company, serving consumers around the world. To effectively manage our enterprise requires a strong governance foundation, as well as leadership with an understanding of the diverse needs of our consumers and associates. The composition of the Board reflects an appropriate mix of skill sets, experience, and qualifications that are relevant to the business and governance of the Company. Each individual Director epitomizes the Company's Leadership Principles, possesses the highest ethics and integrity, and demonstrates commitment to representing the long-term interests of the Company's stockholders. Each Director also has individual experiences that provide practical wisdom and foster mature judgment in the boardroom. Collectively, the Directors bring business, international, government, technology, marketing, retail operations, and other experiences that are relevant to the Company's vertical operations. The Board of Directors has general oversight responsibility for the Company's affairs pursuant to the Company's Amended and Restated Articles of Incorporation and By-Laws, and the committee charters, corporate governance guidelines and other policies under which the Company operates. The Board is deeply involved in the Company's strategic planning process, leadership development, succession planning, and oversight of risk management. In exercising its fiduciary duties, the Board represents and acts on behalf of the Company's stockholders and is committed to strong corporate governance, as reflected through its policies and practices.

BOARD OF DIRECTORS EXPERIENCE AND SKILLS

Board Nominees	CEO or Senior Executive Level Experience	Risk Management	International Experience	Operating Experience	Retail and Ecommerce Experience	Finance Experience	Real Estate Experience
Shwari	ü	ü	ü	ü	ü	ü	ü

on	ü	ü	ü			ü	ü
, Jr.,	ü	ü	ü	ü		ü	
sposito	ü	ü		ü		ü	
	ü		ü	ü	ü		
notter	ü	ü	ü	ü		ü	
	ü			ü		ü	ü

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BOARD INDEPENDENCE

The Board of Directors has determined that nominees James B. Carlson, John J. Dooner, Jr., Domenick J. Esposito, Mary Garrett, James W. Schmotter and Tara I. Stacom (six nominees for the Board of Directors), as well as Clinton A. Clark (the director who has announced that he is retiring from the Board of Directors immediately prior to the Annual Meeting), are independent directors within the meaning of the listing standards of the NYSE. In order for a director to be considered "independent" by the Board of Directors, he or she must (i) be free of any relationship that, applying the rules of the NYSE, would preclude a finding of independence and (ii) not have any material relationship (either directly or as a partner, stockholder or officer of an organization) with us or any of our affiliates of any of our executive officers or any of our affiliates' executive officers. In evaluating the materiality of any such relationship, the Board of Directors takes into consideration whether disclosure of the relationship would be required by the disclosure rules under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended (the "Exchange Act"). If disclosure of the relationship is required, the Board of Directors must make a determination that the relationship is not material as a prerequisite to finding that the director is independent.

Snapshot of 2016 Independent Director Nominees

BOARD LEADERSHIP STRUCTURE

The Board of Directors recognizes that one of its key responsibilities is to evaluate and determine its optimal leadership structure so as to provide independent oversight of management. The Board believes that, given the dynamic and competitive environment in which we operate, the optimal Board leadership structure may vary as circumstances warrant.

At present, the Board of Directors has chosen to continue combining the two roles of Chairman and Chief Executive Officer. The Board believes that the best interests of the Company are served by Mr. Kathwari serving in both roles taking account of his unique long standing tenure with, and investment in, the Company and also the Board's utilization of a strong Lead Independent Director. The Board of Directors believes that this governance structure provides the basis for clear, efficient executive authority in the Company, especially taking into account the Company's flat management structure, while balancing appropriate oversight by the Board of Directors.

Independent Lead Director

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

BOARD OF DIRECTORS ROLE IN RISK OVERSIGHT

While risk management is primarily the responsibility of our management, the Board of Directors provides overall risk oversight focusing on the most significant risks. The Board of Directors oversees an enterprise-wide approach to risk management, designed to identify risk areas and provide oversight of the Company's risk management, to support the achievement of organizational objectives, including strategic objectives, to improve long-term organizational performance and to enhance stockholder value. A fundamental part of the Board's risk management is to understand the risks the Company faces and what steps management is taking to mitigate those risks.

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The Board of Directors participates in discussions with management concerning the Company's overall level of risk, the Company's business strategy and organizational objectives which are all integral components of its assessment of management's tolerance for risk.

The Company has implemented a Company-wide enterprise risk management process to identify and assess the major risks and develop strategies for controlling, mitigating and monitoring risk. As part of this process, information is gathered throughout the Company to identify and prioritize these major risks. The identified risks and risk mitigation strategies are validated with management and discussed with the Audit Committee on an ongoing basis.

The Audit Committee reviews our risk management programs and reports on these items to the full Board. Our Internal Audit group is responsible for monitoring the enterprise risk management process and in that role reports directly to the Audit Committee. Other members of senior management who have responsibility for designing and implementing various aspects of our risk management process also regularly meet with the Audit Committee. The Audit Committee discusses our identified financial and operational risks with our Chief Executive Officer and Chief Financial Officer and receives reports from other members of senior management with regard to our identified risks.

The Compensation Committee is responsible for overseeing any risks relating to our compensation policies and practices. Specifically, the Compensation Committee oversees the design of incentive compensation arrangements of our executive officers to implement our pay-for-performance philosophy without encouraging or rewarding excessive risk-taking by our executive officers.

Our management regularly conducts additional reviews of risks, as needed, or as requested by the Board or Audit Committee.

MEETINGS AND COMMITTEES OF THE BOARD OF DIRECTORS

During fiscal year 2016, there were four regularly scheduled meetings of the Board of Directors in addition to the 2015 Annual Meeting of Stockholders. Independent directors also met four times in executive session without management present. The Lead Independent Director, currently John J. Dooner Jr., chaired the executive sessions.

All directors are expected to attend all regularly scheduled and special Board of Directors meetings, independent director meetings and committee meetings, as appropriate. The Board of Directors realizes that scheduling conflicts may arise from time to time which prevent a director from attending a particular meeting. However, it is the Board's explicit policy that each director shall give priority to his or her obligations to the Company. All directors who then held office attended the 2015 Annual Meeting of Stockholders. In fiscal year 2016, there was 100% attendance by each director at each of the four regularly scheduled Board of Directors meetings, six regularly scheduled Audit Committee meetings, two regularly scheduled Compensation Committee meetings, and two regularly scheduled Nominations Committee meetings. Our policy is to expect resignation of any director who is absent from more than twenty-five percent of regularly scheduled Board meetings or committee meetings in a fiscal year. In addition to the regularly scheduled meetings, there were five special Board of Directors meetings, one special Compensation Committee meeting and one special Nominations Committee meeting. There was 100% attendance at each of the special meetings.

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

Name	Audit Committee	Nominations/Corporate Governance	Compensation Committee	Lead Independent Director
Clinton A. Clark (<i>I</i>)	Chairperson			
James B. Carlson	Member		Chairperson	
John J. Dooner, Jr		Member	Member	ü
Domenick J. Esposito	Member		Member	

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Mary Garrett		Member
James W. Schmotter	Member	Chairperson
Tara I. Stacom		Member

(1)

Mr. Clark has been a long-term member of the Board of Directors who made substantial contributions to the success of the Company. He has announced his intention to retire immediately prior to the Annual Meeting and has requested that he not be nominated. To review biographical information for Mr. Clark, please see the Company's Proxy Statement, filed with the SEC on October 26, 2015.

Additionally, the Board of Directors determined that all of the members of the standing committees are (i) independent within the meaning of the listings standards of the NYSE, (ii) non-employee directors (within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934 (the "Exchange Act")) and (iii) outside directors (within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code")). See "Corporate Governance".

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NOMINATIONS/CORPORATE GOVERNANCE COMMITTEE

The duties of the Nominations/Corporate Governance Committee include, but are not limited to, the duty to: (i) develop qualification criteria for the members of the Board of Directors and nominate or recommend to the Board of Directors individuals to serve on the Board of Directors; (ii) review, annually, the qualifications of each member of the Board of Directors; (iii) review and monitor the Company's corporate governance policies and guidelines, including the Company's trading policy for its directors and executive officers; and (iv) make an annual assessment of the Board of Directors' performance and report to the Board of Directors. The Nominations/Corporate Governance Committee follows the procedure concerning nominations or consideration of director candidates recommended by stockholders set forth in the By-Laws. The By-Laws of the Company permit stockholders, as of the Record Date, to nominate director candidates at the Annual Meeting, subject to certain notification requirements. (See "Stockholder Proposals and Nomination of Directors" under "Other Matters" for information on how to submit a proposal or nominate a director.) Each member of the Committee is independent within the meaning of the listing standards of the NYSE. The Committee held two meetings and individual Committee members communicated, when necessary, by telephone or other means during fiscal year 2016.

The Nominations/Corporate Governance Committee seeks candidates who demonstrate a willingness and ability to prepare for, attend and participate in all Board of Directors and committee meetings and whose experience and skill would complement the then existing mix of directors. While the Board has no specific policy on diversity, the Committee considers the diversity of a candidate's background and experience when evaluating a nominee, as well as the diversity of a candidate's perspectives, which may result from diversity in age, gender, ethnicity or national origin. The Committee gathers suggestions as to individuals who may be available to meet the Board of Directors' future needs from a variety of sources, such as past and present directors, stockholders, colleagues and other parties with which a member of the Nominations/Corporate Governance Committee or the Board of Directors has had business dealings, and undertakes a preliminary review of the individuals suggested. Candidates recommended by stockholders will be considered in the same manner as other candidates. At such times as the Committee determines that a relatively near term need exists and the Committee believes that an individual's qualities and skills would complement the then existing mix of directors, the Committee or its Chair will contact the individual. The Chair will, after such contact, discuss the individual with the Committee. Based on the Committee's evaluation of potential nominees and the Company's needs, the Committee determines whether to nominate the individual for election as a director. While the Nominations/Corporate Governance Committee has not, in the past, engaged any third party firm or consultant to identify or evaluate nominees, in accordance with its charter, may do so in the future. The Nominations/Corporate Governance Committee unanimously recommended the nominees named in this Proxy Statement as the individuals with the experience, industry knowledge, integrity, ability to devote time and energy, and commitment to the interests of all stockholders best qualified to execute our strategic plan and create value for all our stockholders.

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PROPOSAL 1: ELECTION OF DIRECTORS

At the Annual Meeting, each of the seven nominees described below will stand for election to serve as directors until the 2017 Annual Meeting of Stockholders and until their successors are duly elected and qualified. The seven nominees were nominated by the Board of Directors in accordance with recommendations by our Nominations/Corporate Governance Committee. Each nominee has consented to being named in this Proxy Statement as a nominee for election as a director and agreed to serve if elected. All of the seven nominees described below are currently members of the Board of Directors. The information set forth below includes, with respect to each nominee for election as director, his or her age, present principal occupation, specific expertise, qualifications and skills along with other business experience, directorships in other publicly held companies, membership on committees of the Board of Directors and period of service as a director of the Company. Also set forth below is a brief discussion of the specific experience, qualifications, attributes or skills that led to his or her nomination as a director, in light of the Company's business.

Under a majority voting standard, each nominee for election to the Board who receives the vote of a majority of the shares present, in person or by proxy and entitled to vote at the Annual Meeting, will be elected as a director. It is the intention of the persons named as proxies in the accompanying proxies submitted by stockholders to vote for the seven nominees described below unless authority to vote for the nominees or any individual nominee is withheld by a stockholder in such stockholder's proxy. If for any reason any nominee becomes unable or unwilling to serve at the time of the Annual Meeting, the persons named as proxies will have discretionary authority to vote for a substitute nominee(s). Alternatively, the Board of Directors may choose to reduce the size of the Board, as permitted by our Amended and Restated By-Laws (the "By-Laws"). It is not anticipated that any nominee will be unavailable or will decline to serve as a director. As a result of Mr. Clark's resignation, the Board has determined to reduce the size of the Board to seven members effective immediately upon Mr. Clark's resignation.

The Board of Directors unanimously recommends to vote **FOR each of the Board of Director's seven nominees for director.**

DIRECTOR NOMINEES FOR ELECTION

Mr. Kathwari is the Chairman, President and Principal Executive Officer of Ethan Allen Interiors Inc. He has been President of the Company since 1985 and Chairman and Principal Executive Officer since 1988. He received his B.A. degree from Kashmir University in English Literature and Political Science and an M.B.A. in International Marketing from New York University.

Director since 1985

Age: 72

Board Committees:

Chairman of the Board

Specific Qualifications, Attributes, Skills and Experience:

From 2010 to 2014, Mr. Kathwari served on the President's Advisory Commission on Asian Americans and Pacific Islanders and is currently affiliated with several not-for-profit organizations, including: as Chairman Emeritus and director of Refugees International, director and former Chairman of American Home Furnishings Alliance, director and former Chairman of National Retail Federation (NRF) and on the Board of Overseers of International Rescue Committee.

In addition, Mr. Kathwari currently serves on the Advisory Board of the New York Stock Exchange. Mr. Kathwari has received numerous recognitions, including Honorary Doctor of Public Service awarded by Tufts University President on May 20, 2012, the

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NRF's highest honor Gold Medal Award, a recognition by the U.S. Government as an Outstanding American by Choice and was an inductee into the Furniture Hall of Fame.

Mr. Kathwari has extensive experience and knowledge of the history of the Company and the furniture industry as well as extensive experience in growing and managing a business. Mr. Kathwari possesses insight into retailing, marketing, manufacturing, finance and strategic planning from experience with the Company as well as his broad experience with both for-profit and not-for-profit organizations which has given him perspectives from other industries valuable to his service to the Company.

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Mr. Carlson serves as an Adjunct Professor at the New York University School of Law, teaching Securities and Capital Markets Regulation since 1996. From 2009 through 2011, he also taught Derivatives and Changing Regulation at the School of Law, and from 2010 through 2012, he taught Microfinance and Access to Finance for the Global Poor as an Adjunct Professor at the NYU Stern School of Business.

Director since 2013
Age: 61
Board Committees:

Compensation - Chair

Audit

Specific Qualifications, Attributes, Skills and Experience:

Mr. Carlson, who has been practicing law since 1981, currently is a member of the law firm Mayer Brown, LLP, where he has been a partner since 1998. From 1997 through 2004, he was the Partner-in-Charge of the firm's New York Office, and also served as the firm's Global Practice Leader from 2004 through 2008. Mr. Carlson brings extensive knowledge in corporate and financial strategies, and is a highly regarded member of both the legal and business communities.

Mr. Dooner recently established The Dooner Group, a marketing communication consultancy, and serves as Chairman Emeritus of McCann Worldgroup ("McCann"), a company he formed in 1997 and of which he had been Chief Executive Officer from its founding until 2010.

Director since 2011
Age: 68
Board Committees:

Lead Independent Director

Nominations

Compensation

Specific Qualifications, Attributes, Skills and Experience:

Under Mr. Dooner's leadership, McCann grew to be one of the world's largest marketing communications organizations, with operations in over 125 countries with a client roster that includes preeminent global marketers and many of the world's most famous brands. Prior to assuming that position, Mr. Dooner was Chief Executive Officer of McCann Erickson Worldwide, a post he assumed in 1992. Mr. Dooner also serves on several not-for-profit organizations; including Chairman of St. Thomas University based in Miami Florida, Immediate past Chairman of Board of Trustees United Way Worldwide, and remains Trustee and Chairman Brand Platform United Way Worldwide based in Washington, DC. Mr. Dooner brings extensive advertising and branding expertise to the Company.

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Mr. Esposito has been a practicing CPA since 1974, currently is the Chief Executive Officer of ESPOSITO CEO2CEO and a Board member at a privately held valuation services firm. From 2002 to 2016, Mr. Esposito was a senior partner and member of the Executive Board at CohnReznick LLP. From 2001 through 2002, he was Vice Chairman of BDO, and from 1979 through 2001 he served as a member of Grant Thornton, where he became partner in 1981, and the firm's Chief Executive Officer in 1999.

Director since 2015
Age: 69
Board Committees:

Audit

Compensation

Specific Qualifications, Attributes, Skills and Experience:

Prior to 1979, Mr. Esposito served as a member of Price Waterhouse. He has been a member of the NASDAQ Listing and Qualifications Committee and recently served on the NASDAQ Listing and Qualifications Panel. He formerly served as the leader of the New York State Society of CPA's Committee for Large and Medium Sized Firms Practice Management, and was also an Adjunct Professor at C.W. Post / Long Island University. Mr. Esposito's extensive public accounting background strengthens the oversight of our financial controls and reporting.

Ms. Garrett retired from IBM in December 2015 after a distinguished 34-year career where she led the development and execution of unique marketing and communication strategies encompassing the Smarter Planet agenda, Big Data, cloud computing, social business and other growth plays in support of IBM clients across both mature and emerging markets.

Director since 2016
Age: 58
Board Committees:

Nominations

Specific Qualifications, Attributes, Skills and Experience:

During Ms. Garrett's career, she most recently served as Vice President, Marketing and Communications for IBM Global Sales and Distribution responsible for leading geography marketing teams as well as global marketing for Industries, Enterprise and Midmarket business, Digital Sales and field enablement. In addition, she was secretary for the IBM Board of Advisors, where she drove ongoing dialog with IBM's largest global CIOs, and the CMO Council, where she facilitated best practice exchanges with the world's leading marketers.

Previously, Ms. Garrett led worldwide marketing for IBM Global Technology Services. Ms. Garrett serves on the Board of Directors of the American Marketing Association, a global professional association with more than 30,000 members, where she also serves as Vice President Finance and Secretary, and also is an active mentor in W.O.M.E.N. in America, a professional development group aimed at advancing promising professional women. Her significant technology and marketing experience is a valuable addition to our

Board.

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Dr. Schmotter is President Emeritus of Western Connecticut State University from which he retired on June 30, 2015. He previously served as Western Michigan University's Dean of the Haworth College of Business, the Dean of the College of Business and Economics at Lehigh University in Pennsylvania, as well as Associate Dean and Director of International Studies at the Johnson Graduate School of Management at Cornell University.

Director since 2010
Age: 69
Board Committees:

Nominations - Chair

Audit

Specific Qualifications, Attributes, Skills and Experience:

Dr. Schmotter has consulted for a variety of organizations including IBM, TRW, the Institute for International Education, the Cleveland Foundation, the Graduate Management Admission Council, the Educational Testing Service, United States Agency for International Development, and a number of universities in the U.S., Asia and Europe. He has served as Chairman of the Board of Trustees of the Graduate Management Admission Council, was the founding Vice Chair of the Board of the MBA Enterprise Corps, has been a member of many committees of the Association to Advance Collegiate Schools of Business and has served as a member of the Executive Committee of the NCAA.

Since 2011, he has chaired accreditation review teams for three New England universities. Dr. Schmotter served as chair of the board of directors of the United Way of Western Connecticut, as a corporator of the Savings Bank of Danbury, as a director of Fairfield County's Community Foundation and as a director of the Greater Danbury Chamber of Commerce. He is currently a member of the board of directors of the Dunes of Naples II Condominium Association and a member of the Schools Outreach Committee of the Naples Council on World Affairs (both Naples, Florida). Dr. Schmotter's strong leadership, educational and governmental background provides key insight and experience in strategic planning, international/global issues as well as communicating with younger customers which is valuable in his service to the Company.

Ms. Stacom is an Executive Vice Chairman of Cushman & Wakefield, a worldwide commercial real estate firm with 43,000 employees. During her 35-year career, Ms. Stacom has been responsible for executing in excess of 40 million square feet and some of the largest and most complex leasing, sales, and corporate finance real estate transactions including, most recently, acting as exclusive leasing agent for One World Trade Center.

Director since 2015
Age: 58
Board Committees:

Nominations

Specific Qualifications, Attributes, Skills and Experience:

Ms. Stacom has been serving on the Board of Trustees at Lehigh University where she earned her Bachelor of Science degree in Finance. She is a founder of ire@1, a real estate minor in the business college at Lehigh University. In recognition of her commitment and many years of service to Lehigh University, as well as Greenwich Academy, Ms. Stacom has received prestigious Alumni Awards from both organizations. Ms. Stacom serves as a Director of the Realty Foundation of New York, and is a Member of the Real Estate Board of New York serving on its Ethics Committee. Ms. Stacom is a "Director's Circle Member" of Girls, Inc. and a Board Member of Right to Dream. She is the recipient of Crain's New York Business 100 Most Influential Women in New York City Business, and is a Realty Foundation of New York honoree. She was awarded "Woman of the Year" of the New York Executives in Real Estate (WX), and Real Estate New York and Real Estate Forum's Women of Influence. She received Northwood University's Distinguished Women's Award in recognition of the enormous contribution she has made to communities, businesses, volunteer agencies, and public and private sector services worldwide. She has also been honored by the Visiting Nurse Service of New York and the New York Police Athletic League. Ms. Stacom was honored with the Real Estate Board of New York's highest achievement...the 2011 Most Ingenious Deal of the Year (First Place Henry Hart Rice Award) for the leasing of One World Trade Center. Ms. Stacom brings extensive knowledge of commercial real estate and finance to the Board.

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CORPORATE GOVERNANCE

The Board of Directors believes that good corporate governance is important to ensure that the Company is managed for the long-term benefit of its stockholders and to enhance the creation of long-term stockholder value. The Board has adopted corporate governance guidelines (the "Governance Guidelines") that support this belief and comply with the corporate governance requirements imposed by the SEC and the NYSE. At the 2015 Annual Meeting of Stockholders, stockholders approved the Company's proposals to enhance our governance policies as follows:

Amended and Restated the Stock Incentive Plan. The Company amended and restated the Company's 1992 Stock Option Plan, and renamed it the Ethan Allen Interiors Inc. Stock Incentive Plan. The plan was modified to remain compliant with the requirements of section 162(m) of the Internal Revenue Code relating to deductibility of performance-based compensation and was updated to reflect changes in corporate governance best-practices since it was last submitted for stockholder approval.

Updated By-Laws. Stockholders approved the Company's amendment to its Amended and Restated Certificate of Incorporation to delete Article Fifth and eliminate the requirement that Business Combinations be approved by a majority of the Continuing Directors.

Over the past several years, the Company has updated and clarified its corporate governance policies and procedures to conform to emerging trends and best practices. Some of our key policies and practices include the following:

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

Stock Ownership Requirements. It is the Company's intention that its directors and executive officers acquire and hold Company stock. The value of the intended holdings is equal to a multiple of the base compensation (three times annual cash compensation for directors, five times salary for the Chief Executive Officer, and two times the annual salary for the other executive officers) to be accumulated over five years. The standards are reviewed and modified periodically or as necessary after a significant increase or decrease in share price.

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

No Hedging / Pledging Policy. Our directors and executive officers are prohibited from hedging and/or pledging the Company's stock.

Insider Trading Policies. Directors and executive officers will comply in all respects with the Company's insider trading policies.

No Repricing or Buyouts. The Company's Stock Incentive Plan prohibits repricing, extensions or cash buyouts for options.

Change in Control Agreements. The Company has generally restricted, and intends to continue to restrict, any change in control agreements that do not contain a "double trigger" condition for severance payments or that contain excise tax gross-ups and the Company intends to restrict amendments to existing change in control agreements without conforming to these provisions.

Employment Agreements with Executives. The Company will generally restrict entering into employment agreements with executive officers except for the employment agreement with the CEO (as defined below), stock option and other incentive award agreements and severance and protective covenant agreements. The Company does not have employment agreements with any of our NEOs, other than the 2015 Employment Agreement, effective as of July 1, 2015, between the Company and Mr. Kathwari (the "2015 Employment Agreement"), see "Compensation Committee Report", and the Company's Change of Control Severance Plan, see "Compensation Committee Report", which agreements and plan include "double trigger" conditions upon change in control and do not contain excise tax gross-ups.

Qualified Performance-Based Compensation. The Company attempts, whenever possible, to preserve the federal income tax deductibility of compensation paid to executives, and to permit, but not require, the Compensation Committee to award compensation that meets the requirements for deductibility of "qualified performance-based compensation." However, the Compensation Committee reserves the right to authorize the payment of nondeductible compensation when appropriate.

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Lead Independent Director. The Company defined the role of the Lead Independent Director, a position which rotates annually. John J. Dooner Jr., an independent, non-executive director, currently serves as Lead Independent Director.

Director Attendance. Directors are required to attend at least 75% of director and committee meetings. In 2016 there was 100% attendance by each director at all regular and special meetings of the Board of Directors and its committees.

Director Tenure. The Board shall not nominate a director at any time after his 77th birthday (subject to waiver or extension), and mandates resignation of a director upon failure to meet the Company's requirements or failing to attend the requisite number of meetings of the Board of Directors and its committees. The Company's long-serving director, Clinton A. Clark is retiring from the Board of Directors immediately prior to the Annual Meeting.

Term Limits. The service of a director will continue until: in the case of a director who is also an executive of the Company, his effective termination of employment and services to the Company, and in the case of any director, until either the end of his elected term, unless duly nominated and reelected as a director for a subsequent term, or upon the conclusion of the Nominations Committee that a director no longer satisfies the requirements and standards for service as a director. At the end of their term, a director will resign as a director.

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

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

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

Published Governance Guidelines. A copy of the Governance Guidelines as well as our Code of Ethics, Charters for our Audit Committee, Compensation Committee, and Nominations/Corporate Governance Committee ("Nominations Committee"), and Directors and Executive Officer Policies, and our Securities Trading and Conflict of interest policy can be found under "Corporate Governance Charters and Policies" on our website at www.ethanallen.com/governance.

Independent Board. All members of our Board are independent directors, with exception of the Chairman of our Board who is also our Chief Executive Officer.

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

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

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

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

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

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

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

Eliminated Classified Board. At the 2013 Annual Meeting of Stockholders, the Company amended its Amended and Restated Certificate of Incorporation to eliminate the classified structure of our Board of Directors. As such, the directors are elected annually for one-year terms.

Annual Advisory Vote on Executive Compensation. Since 2011, our stockholders have cast an annual non-binding advisory vote on our executive compensation programs.

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The Board of Directors periodically reviews the Company's governance policies and as such these policies may be waived, updated or modified by any of the Nominations Committee, Compensation Committee or the Board of Directors, upon notice to the Company and the Board of Directors, as applicable. They are accessible under "Corporate Governance Charters and Policies" on our website at www.ethanallen.com/governance. The charter of each of the committees of the Board is also available on our website at www.ethanallen.com/governance. You may also request printed copies of the charter(s) by sending a written request to our Corporate Secretary at Ethan Allen Interiors, Inc., PO BOX 1966, Danbury, CT 06813.

ADDITIONAL STOCKHOLDER OUTREACH

During fiscal years 2015 and 2016, the Board and management made additional outreach to stockholders, investors and stockholder advisory firms and held two investor conferences. This outreach included conversations with stockholders representing 90% of outstanding shares as of June 30, 2016. Based on this outreach and on recent trends and best practices related to good corporate governance, we are proposing further changes to our Certificate of Incorporation and By-Laws at the 2016 Annual Meeting of Stockholders as follows:

Enhance advance notice by-law provisions which enable our stockholders to nominate directors or propose other matters for consideration at stockholder meetings.

Implement proxy access which would enable our eligible stockholders to use the Company's proxy statement to nominate up to 2 directors or 20% of the board, subject to 3% ownership for 3 years and other customary requirements.

Implement majority voting provision in uncontested director elections with a plurality voting provision for contested elections.

Clarify that directors may be removed from office by a requisite stockholder vote with or without cause.

PROPOSAL 2: TO APPROVE BY-LAW AMENDMENTS RELATED TO THE PROCEDURES FOR STOCKHOLDERS TO NOMINATE DIRECTORS OR PROPOSE OTHER MATTERS FOR CONSIDERATION AT STOCKHOLDER MEETINGS

General

Our by-laws contain provisions governing the ability of stockholders to bring business before any meeting of stockholders of the Company. As part of the Board's ongoing review of corporate governance practices, the Board has adopted, and is recommending that stockholders vote to approve, amendments to Sections 9.1, 9.2, 10 and 13 of Article II of the by-laws relating to the procedures that stockholders must comply with in order to nominate directors and properly bring any business before stockholder meetings, as well as certain related matters. The Board believes that the proposed amendments conform the by-laws, as they have been amended from time to time, to customary standards.

Effect of the Proposed Amendment

The proposed amendments, among other things, include the following requirements:

For any business, including any nomination, to be properly brought before a stockholder meeting by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Secretary of the Company, such notice to be delivered not less than 90 days nor more than 120 days prior to the anniversary date of the immediately preceding annual meeting.

To be in proper form, the notice must set forth certain enumerated information regarding the proposing stockholder and, in the case of director nominations, the proposed nominee, including information with respect to any agreements, arrangements or understandings by and among any of the proposed nominees, or by and among any proposing stockholders and any other

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person pertaining to the nomination(s) or business to be brought before the meeting, identifying the parties to such agreements and identifying any persons known by the proposing stockholder to support such nominations or such business to be brought before the meeting, including information regarding such person's beneficial ownership in the Company's shares. The notice must be amended or supplemented should any required information included in the initial notice become incorrect or incomplete.

The amendments also clarify that nothing contained in the advance notice by-law provisions shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Company's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

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The amendments to Sections 9.1, 9.2, 10 and 13 of Article II of the by-laws pertaining to the procedures for stockholders to nominate directors, propose other matters for consideration at a stockholder meeting and certain related matters will automatically become effective if this Proposal 2 is approved by our stockholders. If, however, our stockholders do not approve this Proposal 2, then the by-law amendment to implement proxy access as set forth in Proposal 3 will not take effect even if Proposal 3 is approved by our stockholders.

The discussion above is qualified in its entirety by reference to the full text of the Amended and Restated By-laws marked to show all proposed changes (additions are underlined and deletions are struck through), which is attached hereto as Appendix B - AMENDED & RESTATED BY-LAWS.

The Board of Directors unanimously recommends that you vote **FOR the proposal to amend and restate the Company's by-laws to revise procedures for stockholders to nominate directors or propose other matters for consideration at stockholder meetings.**

PROPOSAL 3: TO APPROVE BY-LAW AMENDMENTS TO IMPLEMENT "PROXY ACCESS"

General

Our Board recognizes that properly structured "proxy access" tailored to our stockholder makeup and crafted to include appropriate safeguards against potential abuse and opportunism would give our stockholders the ability to include their director nominees in our proxy materials for our annual meetings of stockholders, thereby promoting stockholder ability to participate in director elections while potentially increasing the Board's accountability and responsiveness to stockholders.

Therefore, after careful consideration, the Board has adopted, and is recommending that stockholders vote to approve, amendments to Article II of the by-laws to adopt new Section 9.3 to implement proxy access.

Effect of the Proposed Amendment

If approved, these provisions would vest eligible stockholders (or a group of up to 20 eligible stockholders) who meet certain conditions, including holding at least 3% of the Company's outstanding capital stock continuously for at least three years, with the right to use the Company's proxy statement to nominate, at each annual meeting, director candidates comprising up to 20% of the Board, but not less than two candidates. The Board believes that this "3/3/20/20" approach is consistent with emerging prevailing market practices regarding proxy access implementation and embodies the most appropriate of proxy access for the Company. For example, the Board believes that a group limitation of up to 20 stockholders will provide reasonable access while limiting the possibility that small stockholders with narrowly defined special interests could become over-represented on the Board. A limitation of 20 stockholders will also prevent the administrative burden and expense that could be incurred in managing and vetting nominations from groups of potentially dozens or hundreds of small stockholders.

In crafting the particulars of the proxy access approach, the Board sought to balance potential benefits of proxy access with appropriate limitations to avoid abuse by investors who wish to promote special interests that may not be aligned with the interests of our other stockholders, or who lack a meaningful long-term interest in the Company. In designing the provisions of this proposal, the Board has been mindful not to impose any undue impediments that may tend to render our proxy access approach impractical or overly burdensome. The Board believes the amendments set out herein are in the best interests of the Company.

Implementation of this Proposal 3 is contingent upon the approval of the amendments to Sections 9.1, 9.2, 10 and 13 of Article II of our by-laws related to the procedures for stockholders to nominate directors or propose other matters for consideration at stockholder meetings set forth in Proposal 2. If approved, this Proposal 3 will become effective only if Proposal 2 is approved by our stockholders.

The discussion above is qualified in its entirety by reference to the full text of the Amended and Restated By-laws marked to show all proposed changes (additions are underlined and deletions are struck through), which is attached hereto as Appendix B - AMENDED & RESTATED BY-LAWS.

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The Board of Directors unanimously recommends that you vote **FOR the proposal to amend and restate the Company's by-laws to implement "proxy access."**

PROPOSAL 4: TO APPROVE BY-LAW AMENDMENT TO IMPLEMENT MAJORITY VOTING IN UNCONTESTED DIRECTOR ELECTIONS

General

Our Board recognizes that many stockholders believe that a majority voting standard increases a board's accountability to stockholders and that many public companies recently have adopted a majority voting standard in uncontested director elections. A majority voting standard requires that the number of votes cast "FOR" a director nominee's election exceed the number of votes cast "against" that nominee in order for the nominee to be elected. Abstentions and broker non-votes have no effect in determining whether the required majority vote had been obtained. By contrast, under a plurality voting standard, a director nominee who receives the highest number of affirmative votes cast is elected, whether or not such "FOR" votes constitute a majority of all votes (including those withheld).

The Company currently has a majority voting standard; however, the provision was adopted in 1995 and lacks important features necessary for its smooth functioning. In particular, the majority voting standard should not apply in the case of a contested election in which case a plurality standard is more customary and practice. In addition, the provision currently fails to include a provision requiring a "holdover" candidate, who would otherwise remain in office until his or her successor is elected and qualified, to tender his or her resignation. Accordingly, after careful consideration, the Board has determined the retention of majority voting standard continues to be in the best interests of the Company and its stockholders, but that it should be limited to uncontested director elections. Therefore, the Board has adopted, and is recommending that stockholders vote to approve, amendments to our by-laws to adopt new Section 2 of Article III to implement majority voting in uncontested director elections.

Effect of the Proposed Amendment

The majority voting standard would only apply in uncontested elections. Uncontested elections are elections where the number of director nominees does not exceed the number of directors to be elected at the meeting. In a contested election, director nominees would continue to be elected by a plurality vote standard. A contested election is an election where the number of director nominees exceeds the number of directors to be elected at the annual meeting, as determined by the secretary of the company.

Further, the Board shall not nominate for election as director any nominee who has not agreed to offer, promptly following the annual meeting at which he or she is elected as director, an irrevocable resignation that will be effective upon (a) the failure to receive the required number of votes for reelection at the next annual meeting of stockholders at which he or she faces reelection, and (b) acceptance of such offer to resign by the Board. If a director nominee fails to receive the required number of votes for reelection, the Board (excluding the director in question) shall, within 90 days after certification of the election results, decide whether to accept such incumbent director's offer to resign through a process overseen by the Nominations/Corporate Governance Committee (and excluding the director in question from all Board and committee deliberations). In making its determination, the Board may consider any factor it deems relevant.

The amendments to Section 2 Article III of the by-laws to implement majority voting in uncontested director elections will automatically become effective if this Proposal 4 is approved by our stockholders.

The discussion above is qualified in its entirety by reference to the full text of the Amended and Restated By-laws marked to show all proposed changes (additions are underlined and deletions are struck through), which is attached hereto as Appendix B - AMENDED & RESTATED BY-LAWS.

The Board of Directors unanimously recommends that you vote **FOR proposal to amend and restate the Company's by-laws to implement majority voting in uncontested director elections.**

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PROPOSAL 5: TO APPROVE CERTIFICATE OF INCORPORATION AND BY-LAW AMENDMENTS TO ALLOW FOR STOCKHOLDER REMOVAL OF DIRECTORS WITH OR WITHOUT CAUSE AND TO DELETE OBSOLETE PROVISIONS FROM, AND EFFECT CLARIFYING CHANGES TO, CERTAIN PROVISIONS OF THE COMPANY'S CERTIFICATE OF INCORPORATION

General

Article Sixth of the Company's Amended and Restated Certificate of Incorporation and Section 13 of Article III of the Company's Amended and Restated By-laws each currently provides that the Company's stockholders may remove directors from office at any time for cause by the affirmative vote of the holders of not less than a majority of the outstanding shares of stock generally entitled to vote. In a recent bench ruling on a summary judgment motion, the Delaware Court of Chancery held in December 2015 that a provision of a Delaware Corporation's charter or by-laws could not override the default rule under Delaware law that directors serving on a non-classified board and who are not elected pursuant to cumulative voting may be removed with or without cause by vote of holders of a majority of the outstanding shares entitled to vote in director elections. In light of these developments under Delaware corporate law, in January 2016, the Board adopted an amendment to the Company's Certificate of Incorporation, subject to stockholder approval, and believes it is in the best interests of the Company and its stockholders to approve amendments to the Company's certificate of incorporation and by-laws so that they state that directors can be removed by stockholders with or without cause. Further, the Company's certificate of incorporation currently includes a number of obsolete provisions relating to Class B Common Stock. The proposed amendments are intended to remove such obsolete provisions and to make minor clarifying changes, enhance readability and eliminate redundancies. Accordingly, the Board has adopted, subject to stockholder approval, amendments to the Company's certificate of incorporation and the by-laws to permit the removal of directors by stockholders with or without cause, and, with respect to the certificate of incorporation, to remove certain obsolete provisions and to renumber the remaining provisions.

Effect of the Proposed Amendment

The amendments to the certificate of incorporation, if adopted, would become effective upon the filing of a certificate of amendment with the Secretary of State of the State of Delaware incorporating the amendments, which we would expect to do as soon as practicable after the amendments are adopted. The amendments to Section 13 of Article III of the by-laws related removal of directors by stockholders will automatically become effective if this Proposal 5 is approved by our stockholders. The effectiveness of these amendments will not impact the rights of stockholders since the amendments reflect rights already granted to stockholders under Delaware law.

The discussion above is qualified in its entirety by reference to the full text of the Amended and Restated Certificate of Incorporation and the Amended and Restated By-laws marked to show all proposed changes (additions are underlined and deletions are struck through), which are attached hereto as Appendix A - AMENDED & RESTATED CERTIFICATE OF INCORPORATION and Appendix B - AMENDED & RESTATED BY-LAWS.

The Board of Directors unanimously recommends that you vote **FOR the proposal to approve amendments to the Company's certificate of incorporation and by-laws to allow for stockholder removal of directors with or without cause and to implement certain clarifying amendments to, and to delete obsolete provisions from, the certificate of incorporation.**

CHARTERS, CODE AND GUIDELINES

The Company's Business Code, Corporate Governance Guidelines and the charters of its Audit Committee, Compensation Committee and Nominations Committee are available on the Company's website at www.ethanallen.com/governance. Our Business Code requires that each individual deal fairly, honestly and constructively with governmental and regulatory bodies, customers, suppliers and competitors. It prohibits any individual's taking unfair advantage through manipulation, concealment, abuse of privileged information or misrepresentation of material facts. It imposes an express duty to act in the best interests of the Company and to avoid influences, interests or relationships that could give rise

to an actual or apparent conflict of interest. Further, it also prohibits directors, officers and employees from competing with us, using Company property or information, or such employee's position, for personal gain, and taking corporate opportunities for personal gain. Waivers of our Business Code must be explicit. Any waiver of the Business Code for directors or executive

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officers may only be made by the Nominations Committee, and any waivers or amendments will be disclosed promptly by a posting on our website. We granted no waivers under our Code of Business Conduct and Ethics in fiscal 2016. Stockholders may request a copy of any of these documents by writing to: Ethan Allen Interiors Inc., Ethan Allen Drive, Danbury, CT 06811, Attention: Office of the Secretary.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our executive officers, directors and owners of over 10% of our Common Stock to file reports of ownership and changes in ownership with the SEC and the NYSE and furnish us with a copy of each report filed. Based solely on our review of copies of such reports furnished to the Company and written representations that all reports were filed or that no reports were required, we are not aware of any instances of noncompliance with the Section 16(a) filing requirements by any executive officer, director or owner of over 10% of our Common Stock during fiscal year 2016.

DIRECTOR COMPENSATION

For fiscal year 2016, each independent director received \$60,000 per annum and an annual stock option award in whole shares determined by dividing the market price of the Company's stock at the grant date into \$100,000. Additional fees are paid quarterly to the chairperson of each of the committees as follows: Audit Committee \$4,000; Compensation Committee \$2,000; and Nominations Committee \$2,000. If a committee holds more than four meetings (either in person or telephonically) on days when the full Board does not meet, committee members will be paid an additional \$1,000 for each additional meeting beginning with the fifth such meeting. Employee directors do not receive additional compensation for serving on the Board of Directors. Directors serving on committees for part of a year receive a pro-rata share of fees.

Name	Fees Earned or Paid in Cash	Option Awards (1)	Total
James B. Carlson (2)	\$ 68,000	\$ 40,128	\$ 108,128
Clinton A. Clark (3)	76,000	40,128	116,128
John J. Dooner, Jr. (4)	60,000	40,128	100,128
Domenick J. Esposito (5)	56,739	40,128	96,867
Kristin Gamble (6)	23,901	40,128	64,029
Mary Garrett (7)	30,000	-	30,000
James W. Schmotter (8)	68,000	40,128	108,128
Tara I. Stacom (9)	45,326	-	45,326
Frank G. Wisner (10)	23,901	40,128	64,029

(1)

The amounts shown for option and restricted stock awards represent the fair values as of each grant date, computed in accordance with Accounting Standards Codification Topic 718. For financial statement reporting purposes, these fair values are charged to expense over the vesting period of

three years. The actual values realized, if any, will not be known until the vesting date and could differ significantly. See footnote 10 to the Company's Form 10-K for fiscal year ended June 30, 2016 for assumptions in the valuation. The option award reflects a grant of 3,841 options for each director who was serving on the grant date.

(2)

Mr. Carlson was awarded 3,481 stock options on July 21, 2015 vesting in three equal annual installments. As of June 30, 2016, Mr. Carlson held 9,762 options, of which 2,238 were vested.

(3)

Mr. Clark was awarded 3,481 stock options on July 21, 2015 vesting in three equal annual installments. As of June 30, 2016, Mr. Clark held an aggregate of 12,762 stock options of which 5,238 were vested.

(4)

Mr. Dooner was awarded 3,481 stock options on July 21, 2015 vesting in three equal annual installments. As of June 30, 2016, Mr. Dooner held 16,071 options, of which 8,547 were vested.

(5)

Mr. Esposito became a board member on July 21, 2015, and received a prorated portion of fees for fiscal 2016. Mr. Esposito was awarded 3,481 stock options on July 21, 2015 vesting in three equal annual installments. As of June 30, 2016, Mr. Esposito held an aggregate of 3,481 stock options of which none were vested.

(6)

Ms. Gamble was awarded 3,481 stock options on July 21, 2015 vesting in three equal annual installments. Ms. Gamble retired from the board immediately prior to the annual meeting on November 24, 2015.

(7)

Ms. Garrett became a board member effective January 5, 2016, and received a prorated portion of fees for fiscal 2016. As of June 30, 2016, Ms. Garrett did not hold any stock options.

(8)

Mr. Schmotter was awarded 3,481 stock options on July 21, 2015 vesting in three equal annual installments. As of June 30, 2016, Mr. Schmotter held 16,071 stock options, of which 8,547 were vested.

(9)

Ms. Stacom became a board member on October 1, 2015, and received a prorated portion of fees for fiscal 2016. As of June 30, 2016, Ms. Stacom did not hold any stock options.

(10)

Mr. Wisner was awarded 3,481 stock options on July 21, 2015 vesting in three equal annual installments. Mr. Wisner retired from the board immediately prior to the annual meeting on November 24, 2015.

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Stockholder Communication With Directors

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

Policies And Procedures With Respect To Transactions With Related Persons

The Company recognizes that transactions between the Company and related persons present a potential for actual or perceived conflicts of interest. The Company's general policies with respect to such transactions are included in its Code of Business Conduct and Ethics ("Business Code"), the administration of which is overseen by the Nominations Committee. The Company defines "related party" transaction as any transaction or series of related transactions in excess of \$120,000 in which the Company is a party and in which a "related person" had, has or will have direct or indirect material interest. Related persons include (i) any person who is, or at any time since the beginning of our last fiscal year, was, a director or executive officer of us or a nominee to become a director, (ii) any person who is known to be the beneficial owner of more than 5% of any class of our voting securities, (iii) any immediate family member of any of the foregoing persons, which means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law of the director, executive officer, nominee or more than 5% beneficial owner and any person (other than a tenant or employee) sharing the household of such director, executive officer, nominee or more than 5% beneficial owner and (iv) any firm, corporation or other entity in which any of the foregoing persons is employed or is a general partner or principal or in a similar position or in which such person has a 10% or greater beneficial ownership interest.

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

Related Party Transactions

The Board, acting through the Nominations and the Compensation Committees, believes that the following related person transactions are reasonable and fair to the Company.

Robin van Puyenbroeck, the son in law of Mr. Kathwari, the Company's Chairman, President and Chief Executive Officer is employed by the Company as the Company's Vice President, Business Development. Mr. van Puyenbroeck reports to the Senior Vice President, Business Development. During fiscal year 2016, the Company paid approximately \$260,000 in aggregate compensation to Mr. van Puyenbroeck. The compensation was consistent with compensation paid to other employees holding similar positions and was composed of salary and annual bonus. The Compensation Committee and the Board expects periodically and at each fiscal year end to provide an ongoing review of Mr. van Puyenbroeck's employment with the Company, including in relation to his compensation.

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

Compensation Committee Interlocks and Insider Participation

No member of the Compensation Committee is, or has ever been, an officer or employee of the Company or any of its subsidiaries. In addition, during the last fiscal year, no executive officer of the Company served as a director or member of the compensation or similar committee of another entity whose executive officer(s) serve as a member of the Board or the Compensation Committee.

Table of Contents**SECURITY OWNERSHIP OF COMMON STOCK OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth, as of September 21, 2016, except as otherwise noted, information with respect to beneficial ownership of Common Stock in respect of: (i) each director, director nominee and NEO (as defined above) of the Company; (ii) all directors and executive officers of the Company as a group; and (iii) based on information available to the Company and a review of statements filed with the SEC pursuant to Section 13(d) and/or 13(g) of the Exchange Act, each person or entity that beneficially owned (directly or together with affiliates) more than 5% of the Common Stock. The Company believes that each individual or entity named has sole investment and voting power with respect to shares of Common Stock indicated as beneficially owned by them, except as otherwise noted. Unless otherwise noted below, the address for each listed director and NEO is Ethan Allen Interiors Inc., Ethan Allen Drive, Danbury, CT 06810.

Name and Address of Beneficial Owner Directors and Executive Officers	Shares Beneficially Owned (1)	Common Stock Percentage Ownership (1)	
M. Farooq Kathwari	(2)	2,970,882	10.5%
James B. Carlson	(3)	19,441	*
Clinton A. Clark	(4)	2,757	*
John J. Dooner, Jr.	(5)	23,388	*
Domenick J. Esposito	(6)	3,160	*
James W. Schmotter	(7)	14,988	*
Tara I. Stacom	(8)	3,300	*
Corey Whitely	(9)	34,478	*
Daniel Grow	(10)	8,409	*
Tracy Paccione	(11)	11,771	*
Clifford Thorn	(12)	8,367	*
Named executive officers and directors as a group		3,100,941	11.0%
BlackRock, Inc.	(13)	2,973,816	10.5%
FMR, LLC	(14)	2,209,599	7.8%
Royce & Associates, LLC	(15)	2,791,617	9.9%
T. Rowe Price Associates, Inc.	(16)	1,519,710	5.4%
The Vanguard Group	(17)	1,934,759	6.9%

*

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

(1)

Information presented herein for each director and NEO reflects beneficial share ownership and includes stock-based compensation awards and outstanding options (the "Stock Options") granted under the Stock Option Plan which, as of September 21, 2016, are currently exercisable or will become exercisable within 60 days by such director or NEO, as applicable.

(2)

Includes (a) 2,140,672 shares owned directly by M. Farooq Kathwari, (b) 295,645 shares owned indirectly, (c) 8,565 shares held in the Ethan Allen Retirement Savings Plan, (d) 126,000 stock units as noted under 2016 Nonqualified Deferred Compensation and (e) options to purchase 400,000 shares of common stock.

(3)

Includes (a) 14,924 shares owned directly by James B. Carlson and (b) options to purchase 4,517 shares of common stock.

(4)

- Includes (a) 2,757 shares owned directly by Clinton A. Clark.*
- (5) *Includes (a) 11,100 shares owned directly by John J. Dooner, Jr. and (b) options to purchase 12,288 shares of common stock.*
- (6) *Includes (a) 2,000 shares owned directly by Domenick J. Esposito (b) options to purchase 1,160 shares of common stock.*
- (7) *Includes (a) 2,700 shares owned directly by James W. Schmotter and (b) options to purchase 12,288 shares of common stock.*
- (8) *Includes (a) 3,300 shares owned directly by Tara I. Stacom.*
- (9) *Includes (a) 2,917 shares owned directly by Corey Whitely, (b) 1,561 shares held in the Ethan Allen Retirement Savings Plan and (c) options to purchase 30,000 shares of common stock.*
- (10) *Includes (a) 1,000 shares owned directly by Daniel Grow, (b) 2,284 shares held in the Ethan Allen Retirement Savings Plan and (c) options to purchase 5,125 shares of common stock.*
- (11) *Includes (a) 668 shares owned directly by Tracy Paccione, (b) 103 shares held in the Ethan Allen Retirement Savings Plan and (c) options to purchase 11,000 shares of common stock.*
- (12) *Includes (a) 1,109 shares owned directly by Clifford Thorn, (b) 1,183 shares held in the Ethan Allen Retirement Savings Plan and (c) options to purchase 6,075 shares of common stock.*
- (13) *BlackRock, Inc. ("BlackRock"), a parent holding company, beneficially owned 2,973,816 shares of Common Stock as per their Schedule 13G filing with the SEC on January 8, 2016. BlackRock's address is 55 East 52nd Street, New York, NY 10055.*
- (14) *FMR, LLC, a parent holding company, beneficially owned 2,209,599 shares of Common Stock as per their Schedule 13G filing with the SEC on February 12, 2016. FMR, LLC's address is 245 Summer Street, Boston, MA 02210.*
- (15) *Royce & Associates, LLC ("Royce"), an investment advisor, beneficially owned 2,791,617 shares of Common Stock as per their Schedule 13G filing with the SEC on February 8, 2016. Royce's address is 745 Fifth Avenue, New York, NY 10151.*
- (16) *T. Rowe Price Associates, Inc. ("T. Rowe Price"), an investment advisor, beneficially owned 1,519,710 shares of Common Stock as per their Schedule 13G filing with the SEC on February 12, 2016. T. Rowe Price's address is 100 E. Pratt Street, Baltimore, MD 21202.*
- (17) *The Vanguard Group ("Vanguard"), an investment advisor, beneficially owned 1,934,759 shares of Common Stock as per their Schedule 13G filing with the SEC on February 10, 2016. Vanguard's address is 100 Vanguard Blvd., Malvern, PA 19355.*

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PROPOSAL 6: TO APPROVE, ON AN ADVISORY BASIS, NAMED EXECUTIVE OFFICER COMPENSATION

Our executive compensation program is designed to facilitate long-term stockholder value creation. Our focus on pay-for-performance and on corporate governance promotes alignment with the interests of the Company's stockholders.

The Company seeks stockholder approval, on a non-binding basis, of the compensation of our Named Executive Officers, or "NEOs", as disclosed in this Proxy Statement pursuant to Section 14A of the Exchange Act, commonly known as a "Say-on-Pay" vote. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our NEOs and the compensation policies and practices described in this Proxy Statement.

At the Company's 2015 Annual Meeting of Stockholders, our stockholders were asked to approve the Company's fiscal 2014 executive compensation programs. A substantial majority (80%) of the votes cast on the "Say-on-Pay" proposal at that meeting were voted in favor of the proposal. The Compensation Committee believes that these results reaffirm our stockholders' support of the Company's approach to executive compensation.

In deciding how to vote on this proposal, the Board encourages you to read the Compensation Discussion and Analysis and Compensation Table sections. The Compensation Committee has made numerous enhancements in recent years to strengthen the link between pay and performance, further link compensation to our business and talent strategies and clearly detail the rationale for pay decisions.

For the reasons outlined above, we believe that our executive compensation program is well designed, appropriately aligns executive pay with Company performance and incentivizes desirable behavior. Accordingly, we are asking our stockholders to endorse our executive compensation program by voting on the following resolution at the Annual Meeting:

"RESOLVED, that the shareowners approve, on an advisory basis, the compensation of the Company's Named Executive Officers, as disclosed in this proxy statement, including the Compensation Discussion and Analysis, the Compensation Tables and the related narrative."

This proposal allows our stockholders to express their opinions regarding the decisions of the Compensation Committee on the prior year's annual compensation to the NEOs. Because your vote is advisory, it will not be binding upon the Board. However, the Board values shareowners' opinions and the Compensation Committee will take into account the outcome of the advisory vote when considering future executive compensation decisions. Further, this advisory vote will serve as an additional tool to guide the Board and the Compensation Committee in continuing to improve the alignment of the Company's executive compensation programs with the interests of Ethan Allen and its stockholders, and is consistent with our commitment to high standards of corporate governance.

The Board of Directors unanimously recommends a vote **FOR the approval of the compensation of the Company's Named Executive Officers.**

COMPENSATION COMMITTEE REPORT

The Compensation Committee oversees our compensation program for our Named Executive Officers ("NEOs") on behalf of the Board of Directors. In fulfilling its oversight responsibilities, the Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis and recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement and the Company's Annual Report.

JAMES B. CARLSON, CHAIR
JOHN J. DOONER, JR.
DOMENICK J. ESPOSITO

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COMPENSATION DISCUSSION AND ANALYSIS

Overview

The purpose of this Compensation Discussion and Analysis is to provide material information about the Company's executive compensation objectives and policies for its NEOs and to put into perspective the tabular disclosures and related narratives. The non-binding advisory proposal regarding compensation of the NEOs submitted to stockholders at our 2015 Annual Meeting was approved by over 80% of the votes cast. The Committee believes this favorable outcome conveyed our stockholders' support of our executive compensation programs and the Committee's decisions. After considering the stockholder vote and other factors in its annual review of our total executive compensation programs, the Committee made further refinements in the structure of our compensation programs. The Committee will continue to consider the outcome of the Company's say-on-pay votes when conducting its regular evaluations of the program and making future compensation decisions for the NEOs.

Executive Summary

We continue to have strong alignment between our executive compensation and the interests of our stockholders. Fiscal 2016 was a strong year for the Company.

Consolidated net sales increased 5.2%

Operating income of \$89.2 million increased \$23.3 million, or 35.3%

EPS of \$2.00 per diluted share increased 57.5%

The Company further enhanced stockholder value during fiscal 2016:

- paid \$16.6 million in dividends
- repurchased 697.8 million shares for \$19.3 million
- invested \$23.1 million in capital expenditures and acquisitions

Alignment Of Pay With Performance

In 2016, the Compensation Committee continued to focus on the alignment of the interests of the NEOs with those of our Company and stockholders, and the Compensation Committee took the following steps for fiscal 2016:

With Mr. Kathwari's 2011 Employment Agreement expiring within a year, and after evaluating executive compensation and incentive practices that have evolved since the 2011 Employment Agreement was first put in place, and also considering the views of leading stockholder advisory services, the Compensation Committee in 2015 initiated, negotiated and, on October 1, 2015, effective July 1, 2015, entered into the 2015 Employment Agreement, of which its incentive compensation components were subsequently approved by stockholders at our 2015 Annual Meeting of Stockholders.

In collaboration with the Chief Executive Officer and the Board of Directors, the Compensation Committee further refined the executive compensation policies for the Company's NEOs with a greater emphasis on incentive-based compensation.

In collaboration with the Chief Executive Officer and the Board of Directors, the Compensation Committee reviewed and approved the performance-based incentive bonus payments for fiscal 2016 for the Company's NEOs.

In collaboration with the Board of Directors, the Compensation Committee reviewed and approved performance targets for purposes of incentive bonus payments for the NEOs and performance targets for purposes of fiscal 2016 incentive bonus payments and performance-based equity awards for the NEOs.

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Stock Incentive Plan

As part of its ongoing review of the Company's compensation programs and consistent with its commitment to reflect best practices in corporate governance standards and compensation practices, the Company's Stock Incentive Plan was amended and restated following the approval of our stockholders at the 2015 Annual Meeting of Stockholders. The Compensation Committee and the Company improved, clarified and updated the Stock Incentive Plan as follows:

Clarify Performance Units. The Stock Incentive Plan was clarified so as to expressly contemplate the issuance of performance restricted stock units.

Restrict Option Re-Pricing. The Stock Incentive Plan was modified so as to expressly restrict re-pricing of outstanding stock options at lower than their exercise price, either directly or indirectly.

One-Year Service Vesting. The Stock Incentive Plan was amended so as to generally require service vesting of at least one year from the grant date for stock options under the Stock Incentive Plan.

Performance Vesting. The Stock Incentive Plan provides for performance vesting, and all Options issued to executives reflect performance vesting.

Recoupment and Clawback. The Stock Incentive Plan was amended so as to expressly subject the awards under the Stock Incentive Plan to the Company policies in relation to recoupment or clawback of awards under the Stock Incentive Plan as required by law and Company policy.

"Double Trigger" Upon Change of Control. While existing awards under the Stock Incentive Plan will continue to be subject under their existing agreements as to a vesting acceleration upon a "single trigger" (i.e., a Change of Control), new or replacement grants under the Stock Incentive Plan (including under the 2015 Employment Agreement) will be subject to a vesting acceleration upon a "double trigger" (i.e., a Change of Control followed by a termination).

Chief Executive Officer's Compensation

In early 2015, the Compensation Committee initiated discussions with the Chief Executive Officer about continuing, modifying or creating a new employment agreement and long-term performance incentives for the Chief Executive Officer. It initiated these discussions despite the 2014 "Say on Pay" vote receiving 95% approval because, under the 2011 Employment Agreement, either the Company or the Chief Executive Officer had the obligation to notify the other by September 30, 2015, if the automatic one year renewal of the employment in the 2011 Employment Agreement would take effect or not as of June 30, 2016. In the view of the Compensation Committee, relying upon this automatic one-year renewal feature was not in the Company's best interests, because an additional one-year term did not provide long-term stability for the Company; during any one-year renewal of the 2011 Employment Agreement, there would be no further long-term equity incentive awards; and during any one-year renewal the previously negotiated voluntary caps on the Chief Executive Officer's annual incentive bonus compensation would have to be revisited and further extended. The Compensation Committee, as well as the Board of Directors, was aware of periodic inquiries from the Company's dealers, distributors, suppliers, business partners and employees about the Chief Executive Officer's long-term commitment to the Company, which the Compensation Committee felt might risk uncertainty and unwarranted disruption in their relationships with the Company. In addition, the Compensation Committee appreciated from its leading stockholders and stockholder advisory firms, as well as public commentary that executive compensation practices have evolved since the time the 2011 Employment Agreement was initiated, especially in the approach to incentive bonus compensation and long-term performance equity incentives.

In evaluating and finalizing the provisions of the 2015 Employment Agreement, the Compensation Committee determined that the best interests of the Company and its stockholders would be served by establishing a long-term employment and performance incentive relationship with the Chief Executive Officer. The Compensation Committee concluded that the compensation and incentive structure of the 2015 Employment Agreement should focus on Company performance measured against targets approved by the Compensation Committee and the

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Board of Directors, appreciating the evolving views of executive compensation and the views of leading stockholder advisory services.

The Compensation Committee retained Sibson Consulting, a leading executive compensation advisory firm who had previously worked with the Compensation Committee in connection with the 2011 Employment Agreement. In approaching the 2015 Employment Agreement, the Compensation Committee recognized that:

Many of the Company's essential business relationships with distributors, dealers, suppliers and business partners, as well as potential future marketing opportunities, depend heavily upon the long-standing personal relationships and connections of the Chief Executive Officer. Most of the Company's store openings outside the United States in the past year have resulted from personal contacts and relationships of the Chief Executive Officer. The Company's relationships are not typically cemented by long-term, tightly bound distributor, dealer and franchise contracts. For the Company, its Chief Executive Officer is closely associated with the Company, its iconic brand and long-standing business relationships. The Company's

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long-serving, widely known Chief Executive Officer and his reputation and relationships through the Company and its retailers and the furniture industry, as well as his linkage to that brand name, is not, in the view of the Compensation Committee, rivaled by companies within the peer group. For the Compensation Committee, these considerations underscore a unique approach for the Company to the 2015 Employment Agreement that may not be applicable to future chief executive officers or comparable chief executive officers in its peer group.

The Company's executive management and administrative staff is relatively and uniquely flat and lean as compared to peers in the view of the Compensation Committee, who generally have deeper, higher cost executive staffing. This efficient management structure depends on the Chief Executive Officer acting decisively and knowing all parts of the Company's operations with a company-wide perspective of the center of this flat, lean management structure. For the Compensation Committee, these considerations underscore a unique approach for the Company to the Chief Executive Officer that may not be applicable to future chief executive officers or comparable chief executive officers in its peer group.

The Company manages and operates a vertically integrated business, featuring manufacturing, merchandising, distribution, marketing and retailing through Company-owned and independent stores, which enables the Company to provide a differentiated, customized, high-service, interior design focused approach to customers, as contrasted to many of the Company's furniture industry competitors and peers that focus mostly on importing standardized products from the Far East and marketing them in the U.S. For the Compensation Committee, this organizational differentiation from peers requires an executive, like the Chief Executive Officer, who can manage manufacturing and production, in addition to the merchandising and marketing background of executives at many competitors and peers.

In fiscal 2014 and 2015, the Compensation Committee recognized that the Chief Executive Officer had initiated and led a substantial repositioning of the Company's manufacturing, merchandising and products, as well as the Company's retail footprint and website and technology platform. With these major on-going operational changes, the Compensation Committee believed that the Company and its stockholders would be benefitted by the long-term commitment of the Chief Executive Officer.

The Compensation Committee recognized that from fiscal 2011 through fiscal 2015 the Company steadily improved operating income, increasing from \$31.9 million to \$65.9 million (a 20% compound annual growth rate) and made steady debt reduction over such five fiscal years (total debt payments of \$210.4 million), which has not been fully reflected in the Company's share price (including relative to total stockholder return). Appreciating that this steady financial performance showed recovery from the great recession, the Compensation Committee believed in approaching the 2015 Employment Agreement that the best interests of the Company's stockholders would be served by a compensation package based on improved operating results and improved per share operating results, as identified annually by the Compensation Committee and the Board, and thus capital efficiency.

Base Compensation Under 2015 Employment Agreement. For the 2015 Employment Agreement, the Compensation Committee determined to continue, without increase or guaranteed adjustment, the base salary under the 2011 Employment Agreement of \$1,150,000 per annum, during the five-year term of the 2015 Employment Agreement commencing July 1, 2015.

Non-Equity Incentive Compensation Under 2015 Employment Agreement. For the 2015 Employment Agreement, the Compensation Committee determined to provide that future annual non-equity incentive payments will be based on annual goals set annually by the Company, the Compensation Committee and the Board of Directors based on target earnings results consistent with market practices and the practices after all of the companies in the Company's peer group. More specifically, the annual incentive compensation payments under the 2015 Employment Agreement will provide for a target level of \$750,000 (approximately 65% of base salary), based upon an Annual Adjusted Operating Earnings target, set annually by the Compensation Committee or the Board of Directors within 90 days of the beginning of each fiscal year. If the Compensation Committee or the Board of Directors fails to establish a target for a fiscal year, the target will be 5% improvement over the Annual Adjusted Operating Earnings for the preceding fiscal year. Annual Adjusted Operating Income consists of consolidated operating income as set forth in the Company's consolidated statement of comprehensive income, adjusted by (1) nonrecurring, extraordinary or unusual events, (2) annual bonuses, (3) share-based compensation expense and (4) the effects of business combinations. For fiscal 2016 nonrecurring, extraordinary or unusual events consisted of gains and losses on sale

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on real estate, and restructuring charges. Incentive compensation payments will be earned according to performance on a directional payout schedule as follows:

Directional Non-Equity Incentive Compensation Payout Schedule
(Linear/Scaled)

Achievement Level	Performance (as Percentage of Adjusted Operating Earnings Target)	Payout Amount
Threshold	80 - 85%	\$375,000
Target	100%	\$750,000
Maximum	120 - 130%	\$1,700,000

The Compensation Committee or Board of Directors has the right to make a discretionary incentive compensation payments in the case of extraordinary economic circumstances, including circumstances when such performance metrics were not satisfied, in the best interests of the Company. In the view of the Compensation Committee, this incentive bonus compensation structure in the 2015 Employment Agreement aligns the incentive compensation incentives of the Chief Executive Officer with the earnings objectives of the Company, as confirmed by the Compensation Committee and Board of Directors, and is consistent with companies within its peer group.

Long-Term Stock Performance Unit Awards Under the 2015 Employment Agreement. In connection with the 2015 Employment Agreement, the Compensation Committee focused on strong weighting of performance-based equity awards (and not service-based options) that were earned if the Company performed against targets set by the Compensation Committee and Board of Directors and are determined on a per share basis in order to reward capital efficiency.

Accordingly, for the 2015 Employment Agreement, the Compensation Committee determined to revise the structure of long-term stock incentives, such that all of future long-term incentive value would be delivered through performance-based restricted stock, which the Compensation Committee believes is more performance-based than many peers, who deliver meaningfully less in long-term incentive value through performance-based restricted stock awards. In doing so, the Compensation Committee considered whether the long-term equity incentives should be measured by stock price metrics or operating performance metrics. After deliberating with its consultants, the Compensation Committee determined to utilize operating performance metrics because they focused on internal performance, not extrinsic factors that move stock and stock market prices, and because reviews of peer practices did not reflect a widespread focus on stock market returns to compensate their executives.

The 2015 Employment Agreement provides as follows:

Annual awards of 65,000 per annum of performance-vested restricted stock units ("Performance Units") over five years (325,000 total Performance Units, which may increase to 406,250 of Performance Units, based upon performance as described below) granted annually within 90 days of the beginning of the fiscal year.

Performance vest (not service vest) the Performance Units by reference to performance goals set for each award (within 90 days of grant date) based on Adjusted Operating Earnings Per Share target for each of the upcoming two fiscal years and cumulatively for the upcoming three fiscal years, set annually by the Compensation Committee and the Board of Directors within 90 days of the beginning of each fiscal year. If either the two-year or cumulative three-year target is accomplished, then the percentage of Performance Units vested would be determined by reference to the higher performance accomplishment percentage. Goals for each annual grant are set by the Compensation Committee or the Board within 90 days of the beginning of each fiscal year. The Performance Units would be earned according to performance on a directional payout schedule as follows:

Directional Performance Unit Schedule

(Linear/Scaled)

Achievement Level	Performance (as Percentage of 2 or 3 Year Performance Equity Target)	Percentage of Performance Units Earned	Amount of Performance Units Earned (Per Annual Grant)
Threshold	80 - 85%	50%	32,500
Target	100%	100%	65,000
Maximum	115 - 120%	125%	81,250

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Total Compensation Level and Mix. The portion of total compensation delivered in the form of base salary and benefits is intended to provide a competitive foundation and fixed rate of pay for the work being performed by each named executive officer and the associated level of responsibility and contributions to the Company. The compensation opportunity beyond those pay elements is at risk and must be earned through achievement of annual goals, which represent performance expectations of the Board and management and long-term value creation for stockholder. The Committee believes that the proportion of compensation designed to be delivered in base salary versus variable pay depends on the executive's position and the ability of that position to influence overall Company performance. The more senior the level of the executive, the greater is the percentage of total pay opportunity that is variable. The Compensation Committee believes that the 2015 Employment Agreement does not reflect any increase in total compensation value as compared to the 2011 Employment Agreement, and substantially shifts our Chief Executive Officer's compensation structure to a performance incentive structure, as compared to both the 2011 Employment Agreement and the Company's peers. In considering the overall compensation opportunities provided under the 2015 Employment Agreement, the Compensation Committee recognizes that the targeted total compensation opportunity level places our Chief Executive Officer below the median total compensation level of executives within the Company's peer group, but above the median level of a narrower peer group suggested by the stockholder advisory services. The Compensation Committee believes that this positioning is appropriate given that the median revenue of our peer group is higher than the Company's and the median revenue of the stockholder advisory services' peer group is lower than ours. Also, the Compensation Committee believes that the compensation incentives under the 2015 Employment Agreement are strongly performance-based, so they provide and ensure strong Chief Executive Officer alignment with long-term stockholder interests.

**CEO Compensation Components of the
2015 Employment Agreement
based on Target Values**

Overall, the Compensation Committee believes that the performance-based structure of the 2015 Employment Agreement provides a strong alignment with the long-term interests of our Company and its stockholders and a strong statement of confidence by the Chief Executive Officer in our Company's future performance. The Compensation Committee believes that the structure of the 2015 Employment Agreement (especially given the fact that all incentives are performance-based) does not create risks for the Company and is in the best long-term interest of the Company and its stockholders.

Targets and Payouts Under Fiscal 2016 Non-Equity Incentive Compensation Arrangements and Long-Term Incentive Compensation Arrangements. At the beginning of fiscal 2016, in connection with the 2015 Employment Agreement, the Compensation Committee reviewed with the Board of Directors and the Chief Executive Officer, and established targets, as provided in the 2015 Employment Agreement for fiscal 2016 incentive opportunities.

An Adjusted Operating Earnings fiscal 2016 target for the annual incentive bonus was set at a target of 8% growth over the prior fiscal year Adjusted Operating Earnings.

An Adjusted Operating Earnings Per Share target for the Performance Units equity award to be made in fiscal 2016 were set for fiscal years 2016, 2017, and 2018 at a target of 8%, 5% and 5%, respectively, growth over the prior year in Adjusted Operating Earnings Per Share. See the section "Long-Term Stock Performance Unit Awards Under the 2015 Employment Agreement" for threshold and maximum levels.

For fiscal 2016, each of the Company's Adjusted Operating Earnings and Adjusted Operating Earnings Per Share exceeded the respective maximum performance levels. Accordingly, the Incentive Award earned by Mr. Kathwari for fiscal 2016 was \$1,700,000, which corresponds to the payout amount commensurate with the maximum performance level under the non-equity incentive compensation arrangements as set forth in the "Summary Compensation Table" in the "Executive Compensation" section.

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Actual amounts of long-term incentive awards granted in fiscal 2016 are disclosed in the "Summary Compensation Table" and the "Grants of Plan-Based Awards" table. The fiscal 2016 Performance Units granted to Mr. Kathwari under the 2015 Employment Agreement, which will not vest until the actual results for the second or third fiscal year period in the three-year performance cycle are

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known, were estimated to be earned at the target payout level for purposes of the "Summary Compensation Table" and at the maximum payout level for purposes of the "Outstanding Equity Awards at 2016 Fiscal year End" table in the "Executive Compensation" section.

**CEO Compensation Components based on
Actual Fiscal 2016 Performance Results and
as reflected in the Summary Compensation Table**

Peer Companies. In connection with the 2015 Employment Agreement, the Compensation Committee discussed the appropriate peer companies for comparison with its executive compensation consultant, Sibson Consulting. The Compensation Committee, in conjunction with Sibson Consulting, established a peer group in considering the 2015 Employment Agreement which, in its judgment, best represented the unique nature of the Company's vertical business model which integrates manufacturing, merchandising and retailing, while eliminating some of the companies with substantially higher revenues.

In developing the peer group, the population of U.S.-based, publicly-traded companies that were considered for evaluating the terms of the 2015 Employment Agreement included:

furniture manufacturers and/or home furnishing retailers;

competitors and peers identified as the Company's direct U.S. furniture competitors;

highly integrated companies in non-furniture industries (e.g. apparel, etc.);

companies with iconic consumer brand recognition (beyond the furniture and home furnishing industries); and

companies that might be considered competitors for Company executives and equivalent talent.

In considering this peer group, the Compensation Committee reviewed the peer group used in connection with the 2011 Employment Agreement, as well as the peer group included in various industry indices and considered by stockholders advisory services, resulting in changes for the peer group considered for purposes of the 2015 Employment Agreement as compared to the peer group used for the 2011 Employment Agreement. In doing so, the Compensation Committee recognized the difficulty of establishing direct peer comparables for the Company and the Chief Executive Officer due to the differences between the Company and its peers (especially the Company's management and operation of a vertically integrated business) and between our Chief Executive Officer and other peer executives, in view of our Chief Executive Officer's unique, long-standing association with our Company and his active engagement at the center of our Company's executive leadership.

In addition to industry, branding and supply chain considerations, the Compensation Committee filtered companies by revenues, number of employees and market capitalization. The Compensation Committee wanted a large enough group, consisting of 15-20 companies, to enable full comparisons to the Company. After this consideration, the Compensation Committee established a peer group

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for the 2015 Employment Agreement that reflects 17 companies, with 7 additions and 6 deletions to the peer group utilized in connection with the 2011 Employment Agreement, as follows (by revenue):

Company	GICS Sub-Industry	Revenue (\$M)	Revenue Multiple	Market Cap (\$M)
Bassett Furniture	Home Furnishings	\$341	0.5	\$267
Dixie Group Inc.	Home Furnishings	\$407	0.5	\$140
Flexsteel Industries	Home Furnishings	\$439	0.6	\$228
Kirkland's Inc.	Home Furnishing Retail	\$461	0.6	\$417
Tumi Holdings	Apparel, Accessories & Luxury Goods	\$467	0.6	\$1,520
Ethan Allen	Home Furnishings	\$747	1.0	\$792
Haverty Furniture	Home Furnishing Retail	\$768	1.0	\$576
Knoll Inc.	Office Services & Supplies	\$1,050	1.4	\$1,017
Select Comfort	Home Furnishing Retail	\$1,157	1.6	\$1,679
Kate Spade & Co	Apparel, Accessories & Luxury Goods	\$1,265	1.7	\$4,302
Kimball International	Office Services & Supplies	\$1,285	1.7	\$361
La-Z-Boy Inc.	Home Furnishings	\$1,357	1.8	\$1,298
Restoration Hardware	Home Furnishing Retail	\$1,551	2.1	\$3,389
Pier 1 Imports	Home Furnishing Retail	\$1,772	2.4	\$1,068
Herman Miller	Office Services & Supplies	\$1,882	2.5	\$1,868
HNI Corp	Office Services & Supplies	\$2,223	3.0	\$2,287
Steelcase Inc.	Office Services & Supplies	\$2,989	4.0	\$2,261
Tempur Sealy International	Home Furnishings	\$2,990	4.0	\$3,453

In reviewing and finalizing the changes to the peer group for the 2015 Employment Agreement, the Compensation Committee noted the following:

In connections with the peer group for 2015 Employment Agreement, peers are within a 0.5x-4x revenue size range. (The previous peer group in connection with the 2011 Employment Agreement had instances of 6x and 10x comparative revenue sizes). The median revenue of the peer group in connection with the 2015 Employment Agreement is \$1.27 billion (the previous peer group median in connection with the 2011 Employment Agreement was \$1.8 billion).

The peer group for the 2015 Employment Agreement was increased to 17 companies, from 16 companies in 2011. The larger peer group provided the Compensation Committee with greater confidence in its understanding of the broad range of pay practices in place at other companies.

In developing the new peer group for the 2015 Employment Agreement, the Compensation Committee was mindful of the perspectives of stockholder advisory services. As a result, the Compensation Committee closely examined the peer companies recommended by Institutional Shareholder Services (ISS) and others. Through this review, the Compensation Committee identified additional companies used by stockholder advisory services which it determined should be added to the group for the 2015 Employment Agreement.

We believe that it is appropriate to offer industry-competitive cash and equity compensation packages to all of our NEOs, including our Chief Executive Officer, in order to attract and retain top executive talent. The peer group allows us to monitor the compensation practices of our primary competitors for executive talent. However, we do not rely on market information to target any specific pay percentile for our executive officers. Instead, we use this information to provide a general overview of market practices and to ensure that we make informed decisions regarding our executive pay programs.

Compensation For Named Executive Officers Other Than The Chief Executive Officer

During fiscal 2016, the Compensation Committee, together with the Chief Executive Officer, reviewed the compensation program for the Company's key management personnel including the NEOs, other than the Chief Executive Officer. The Company's compensation approach for the NEOs is designed to encourage and reward performance that leads to strong financial results and creation of long-term stockholder value. Its balance of short-term and long-term compensation opportunities is intended to retain and motivate the highly talented business leaders we

require to successfully execute the Company's business strategy and create value for the Company's

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stockholders. The following compensation principles guided the design of our compensation program for these NEOs during fiscal 2016, and will also guide the program in fiscal 2017:

Reward Operational and Financial Efficiencies. The Company believes in efficiency of overhead and operations and very careful expenditures of cash and its cash resources. It is intended that the Company's compensation approach for NEOs will emphasize the achievement of these efficiencies within the scope of authority and management of these NEOs.

Pay for Performance. The Company believes that pay earned by its executives should reflect the performance achieved for our stockholders. Thus, we structured the compensation program for the NEOs to ensure that a meaningful portion of the compensation paid is linked to the performance of our business. The Company's compensation program emphasizes variable incentive award opportunities, which are payable only if specified financial, operational and individual goals are achieved. In practice, these goals are identified by the Chief Executive Officer and approved by the Compensation Committee.

Pay Conservatively. When setting the compensation target payout opportunity levels with the Chief Executive Officer, the Compensation Committee and the Chief Executive Officer consider the range of opportunities available to similarly situated executives from various relevant market reference sources.

Emphasize Variable Pay Components. The Company provides variable compensation elements (annual non-equity incentive compensation and long-term equity compensation) primarily to encourage and reward performance that leads to strong financial results and creation of long-term value for our stockholders.

Require Stock Ownership. The Company expects its executives to own a meaningful amount of Company stock. Thus, within five years of appointment NEOs are expected to acquire and maintain ownership of certain minimum equity ownership level in Company stock. These minimum level ranges from two times annual base salary for our NEOs to five times annual base salary for the Chief Executive Officer. This is intended, in part, to align senior management of the Company with long-term stockholder interests and avoid short-term incentive risk. To further promote long-term alignment with our stockholders' interest, the Company will grant to our NEOs, equity with vesting periods of generally three to five years and a post-exercise hold period to avoid incentivizing short-term risk. The design of the NEOs' compensation approach will be consistent with the Company's risk aversion and the steady performance expected by the Company and our stockholders. Thus, we have structured our executive compensation program to ensure that it is not significantly weighted toward annual cash incentive compensation and does not otherwise have the potential to threaten long-term stockholder value by promoting inappropriate or excessive risk-taking by our NEOs.

Maintain Flexibility to Address Extraordinary Circumstances. The compensation program for the NEOs provides flexibility for the Chief Executive Officer and the Compensation Committee with authority to exercise discretion in determining compensation actions for the NEOs when necessary due to unusual, non-recurring, extraordinary or unexpected circumstances or developments, either in relation to the Company or the NEO, including in relation to unusual, non-recurring or extraordinary items in the determination of adjusted operating income that in their discretion do not relate to the future income or values of the Company. Such actions are expected to take into account the current and long-term interests of our stockholders and the Company, notwithstanding the extent to which earlier specified goals are achieved.

Follow Executive Compensation and Pay Governance Best Practices. The Compensation Committee will continually evaluate best practices in executive compensation and governance and consider modifications to our program that NEOs support the Company's business strategies, provide an appropriate balance of risk and reward for our NEOs, and align their compensation with the long-term interests of our stockholders.

Compensation Consultant. The Compensation Committee has authority to retain compensation consulting firms to assist it in the evaluation of executive officer and employee compensation and benefit programs. The Compensation Committee has retained Sibson Consulting ("Sibson"), a national compensation consulting firm, as its independent compensation advisor. Sibson provides an additional objective perspective as to the reasonableness of our executive compensation programs and

practices and their effectiveness in supporting our business and compensation objectives. During 2015, Sibson advised the Compensation Committee with respect to compensation trends and best practices, incentive plan design, competitive pay levels, our proxy disclosure, and individual pay decisions with respect to our named executive officers and other executive officers. The Compensation Committee has assessed the independence of Sibson pursuant to applicable SEC rules and concluded that no conflict of interests exists that would prevent Sibson from independently representing the Compensation Committee.

Compensation Committee Approval of Named Executive Officer Compensation for 2016

For fiscal 2016, the Compensation Committee discussed with the Chief Executive Officer approaches to incentive compensation, annual cash bonuses, non-equity incentive compensation and long-term equity grants. We believe that it is appropriate to offer industry-competitive cash and equity compensation packages to our NEOs in order to attract and retain top executive talent. However, we do not

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rely on market information to target any specific pay percentile for our executive officers. Instead, we use this information to provide a general overview of market practices and to ensure that we make informed decisions regarding our executive pay programs.

As is the case with our Chief Executive Officer, in evaluating compensation packages for our NEOs, the Committee focuses on the total compensation opportunity for the executive. Executive compensation packages are structured such that a portion of total compensation delivered in the form of base salary and benefits is intended to provide a competitive foundation and fixed rate of pay for the work being performed by each named executive officer and the associated level of responsibility and contributions to the Company. The compensation opportunity beyond those pay elements is at risk and must be earned through achievement of annual goals, which represent performance expectations of the Board and management and long-term value creation for stockholders. The proportion of compensation designed to be delivered in base salary versus variable pay depends on the executive's position and the ability of that position to influence overall Company performance. The more senior the level of the executive, the greater is the percentage of total pay opportunity that is variable.

The following are the components of the compensation for the NEOs other than the Chief Executive Officer, and the Company's overall approach to each compensation component for fiscal 2016:

Base Salary. Base salary is expected to be within the industry standards for similarly responsible, situated and performing executives, depending on the area in which the executive operates and on varying levels of responsibility. The Compensation Committee considered the range of opportunities available to similarly situated executives from various relevant market reference sources and concurred with the Chief Executive Officer's views as to the adequacy of the base compensation for the NEOs for fiscal 2016.

Incentive Awards Annual Cash Bonus and Annual Non-Equity Incentive Plan Compensation. For fiscal year 2016, the Company maintained an Annual Cash Bonus Incentive Program under which the NEOs of the Company other than the Chief Executive Officer are eligible for an Incentive Award with a performance-based Non-Equity Incentive Plan Compensation component and a discretionary-based Bonus component. Our annual incentive program is designed to promote the achievement of annual corporate goals including key financial, operating and strategic goals that, in turn, drive value for stockholders.

For purposes of the Annual Cash Bonus Incentive Program, overall performance of the Company is assessed based upon the achievement of the Company's financial, strategic and operational budget and objectives, including revenue and income earned by the Company, operating results of each individual division, expansion of market share, minimization of overhead, inventory management, cost savings, cash conservation, customer service improvement and the performance of the Company relative to peers and the market. The Compensation Committee, in conjunction with the Chief Executive Officer, establishes criteria for each NEO annually which is shared with the NEO and their performance is annually reviewed.

The Company established for each NEO a target Incentive Award opportunity expressed as a percentage of the NEO's annual base salary rate at the beginning of fiscal 2016, and a maximum Incentive Award expressed as a percentage of that base salary. Target and maximum Incentive Awards are based upon the recommendation of the Chief Executive Officer and the approval of the Compensation Committee. For fiscal 2016, the target Incentive Award for each of the NEOs was set at 40% of their respective base salary and the maximum Incentive Award for each of the NEOs was set at 60% of their respective base salary, subject to revision of the target and the maximum Incentive Award by the Chief Executive Officer and the Compensation Committee during fiscal 2016.

Incentive Awards, if any, are based both upon the performance of the NEO as determined by the Company in view of the circumstances and considerations and also upon the Company's achievement of the performance goal target for the relevant fiscal year, such that 70% of the target Incentive Award will be initially determined by reference to the Company's achievement of the performance goal target (the Non-Equity Incentive Plan Compensation component) and 30% of the Incentive Award will be discretionary (the Bonus component), based upon the Company's and the Committee's evaluation of the NEO's performance against its expectations and principles.

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The Performance Component payout will be linearly interpolated between 80% and 120% of the Performance Goal Target as follows:

Directional Non-Equity Incentive Compensation Payout Schedule

(Linear/Scaled)

Adjusted Operating Income Achievement Level	Performance (as Percentage of Annual Performance Goal Target)	Payout (as Percentage of target Non-Equity Incentive Plan Compensation Component)
Threshold	80%	50%
Target	100%	100%
Maximum	120%	115%

For fiscal 2016, the performance goal target established for the Non-Equity Incentive Plan Compensation component of the Incentive Award was the Company's accomplishment of adjusted operating income as reflected in its annual financial statements for fiscal 2016 reflecting a growth rate of 8% over the adjusted operating income for fiscal 2015.

The discretionary Bonus component of the Incentive Award, if any, is intended to reward key employees based upon both the Company's overall performance and the individual's performance measured against a broad range of performance indicators.

For purposes of the discretionary Bonus component, individual performance is assessed based upon the level of attainment of established responsibilities, goals and objectives for each NEO. Each NEO develops annual business objectives and budgets for their respective areas, which are approved by the Chief Executive Officer and are used for this assessment. Individual performance is also measured by how the executive's actions conform with and exemplify the Company's ten "Leadership Principles" as follows:

Leadership Principles: Good governance is good for profitability and good for our talented and committed team. As a group we embrace ten key Leadership Principles, which define our commitment to excellence. Living by these principles is paramount. They are the compass that guides us to achieve our full potential, both as individuals within the company and as a major player in the industry.

Leadership: Provide leadership by example.

Change: Understand that change means opportunity and do not be afraid of it.

Accessibility: Be accessible and supportive, and recognize the contributions of others.

Speed: Maintain a competitive advantage by reacting quickly to new opportunities.

Client Focus: Our first responsibility is to our clients. Client service is our highest priority.

Hard Work: Establish a standard of hard work and practice it consistently.

Excellence + Innovation: Have a passion for excellence and innovation.

Priorities: Establish priorities by clearly differentiating between the big issues and the small ones.

Confidence: Have the confidence to empower others to do their best.

Justice: Always make decisions fairly. Justice builds confidence and trust, which in turn encourages motivation and teamwork.

For each NEO, the NEO's impact upon initiatives of their division, department function or organization is considered, as well as their impact on the morale of these groups. Additionally, each executive, whether reporting directly to the Chief Executive Officer or not, completes a self-assessment that is also used as a basis by the Chief Executive Officer and the Compensation Committee for the determination of any Incentive Award. For executives reporting directly to the Chief Executive Officer, their performance is reviewed by the Chief Executive Officer together with the Executive Vice President,

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Administration, who is responsible for the Company's Human Resources functions. For the NEOs other than the Chief Executive Officer, their performance is also reviewed by the Chief Executive Officer with the Compensation Committee.

Historically, the actual Incentive Awards have ranged from 20% to 40% of base salary for eligible executives. The Company retains the discretion to grant no Incentive Awards or to grant Incentive Awards that exceed the target, in each case as the situation warrants, such as unusual, non-recurring, extraordinary or unexpected circumstances or developments, either in relation to the Company or the NEO, including in relation to unusual, non-recurring or extraordinary items in the determination of adjusted operating income that in their discretion do not relate to the future income or values of the Company. As the Incentive Awards look at broad performance indicators, the Company believes that there is no single metric that would lend itself to the risk of manipulation of results by the NEOs to influence any Incentive Award outcome.

For fiscal 2016, the Company's Adjusted Operating Earnings exceeded the maximum performance level of 120% of performance target. Accordingly, for fiscal 2016, after its review and discussion, the Compensation Committee approved Incentive Awards for each of the NEOs at the payout levels commensurate with maximum performance levels with respect to the performance-based Non-Equity Incentive Plan Compensation component. The Compensation Committee awarded Incentive Awards totaling \$469,530, of which the Non-Equity Incentive Plan Compensation component was \$439,530 and the discretionary Bonus component was \$30,000, to be distributed to the NEOs other than the Chief Executive Officer, in amounts recommended by the Chief Executive Officer as set forth in the "Summary Compensation Table".

For fiscal year 2017, the Company will continue to maintain this Incentive Award compensation plan, with its performance-based component (Non-Equity Incentive Plan Compensation) and a discretionary-based component (Bonus), for the NEOs of the Company other than the Chief Executive Officer with the same approach as fiscal 2016.

Long-Term Equity Awards. Historically the Compensation Committee has allocated a block of equity awards to be granted throughout the year based on similar criteria and process as the annual non-equity incentive awards, with special focus on retention and consistent long-term performance. The Compensation Committee approves the specific grants for the NEOs in the same manner as described above for the annual non-equity incentive awards. The Company believes that share ownership among its executives is important for alignment of executive interests.

Stock Options - The NEOs and other executives are eligible to receive grants of stock options. The options have an exercise price of the closing price of our stock on the date of grant, vesting according to both the performance-based and time-based criteria, and a ten-year term. Any stock options not fully vested on the date the employee separates are subject to forfeiture. These grants are designed for retention of the executive and to align the executive's compensation with the long-term success of the Company. The Compensation Committee did not approve Company grants of stock options to NEOs in fiscal 2016.

Performance Stock Units - The NEOs and other executives are eligible to receive grants of performance stock units. The performance stock units have both service vesting and performance vesting criteria by reference to performance goals set for each award based on the Adjusted Operating Earnings Per Share target for each of the upcoming two fiscal years and cumulatively for the upcoming three fiscal years and to the extent performance condition is satisfied, service conditions vest over a period of three years. These grants are designed to promote retention and to align executive compensation with the long-term success of the Company.

The Compensation Committee approved Company grants of performance stock units to NEOs in fiscal 2016 employing the same methodology as used with the CEO. The grants were subject to a target performance metric of Adjusted Operating Income Per Share increase for fiscal year 2016 over fiscal 2015 and for each of the two immediately following fiscal years (for a total of three fiscal years) with 8% increase for fiscal 2016 and 5% increase for each of fiscal 2017 and 2018. The Performance Units would be earned according to performance on a directional payout schedule as follows:

Directional Performance Unit Schedule

(Linear/Scaled)

Adjusted Operating Income Per Share	Performance as Percentage of Cumulative PSU Annual Target for	Percentage of Units Earned (Per Grant)
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Achievement Level	Applicable Two or Three Year Period	
Threshold	80%	50%
Target	100%	100%

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If either the two-year or the cumulative three-year target is met, then the percentage of Performance Units vested would be determined by reference to the higher performance accomplishment percentage. Goals for each annual grant are set by the Compensation Committee or the Board within 90 days of the beginning of each fiscal year.

Actual amounts of awards granted in fiscal 2016 are disclosed in the "Summary Compensation Table" and the "Grants of Plan-Based Awards" table. The fiscal 2016 Performance Units granted to our NEOs, which will not vest until the actual results for the second or third fiscal year period in the three-year performance cycle are known, were estimated to be earned at the maximum payout level for purposes of the "Summary Compensation Table" and the "Outstanding Equity Awards at 2016 Fiscal year End" table in the "Executive Compensation" section.

Change of Control Severance Plan for Executives. The change in control plan for NEO's, other than the CEO, was adopted to mitigate the concern that, in the event the Company is considering a change in control transaction, the employees involved in considering the transaction might otherwise be motivated to act in their own interests rather than the interests of the stockholders. Thus, the change in control provisions are designed so that employees are neither harmed nor given a windfall in the event of a change in control.

The Company's plans generally provide that a change in control may occur upon (i) any liquidation or the sale of substantially all of the assets of the Company and Ethan Allen Global, Inc. taken as a whole, or (ii) any merger, or (iii) any person becoming a beneficial owner of more than 50% of the then-outstanding voting stock of the Company or Ethan Allen Global, Inc.; or (iv) the Company's incumbent directors cease to constitute at least a majority of the Board of directors of the Company, except in connection with the election or nomination of directors approved by a vote of at least a majority of the directors then comprising the incumbent board of directors of the Company.

For any benefits to be earned, a change in control must occur and the executive's employment must be terminated within two years following the change in control, either by the Company without cause or the executive for good reason (often called a "double trigger"). The plan does not provide tax gross-ups. Payments and benefits to the executive will be reduced to the extent necessary to result in the executive's retaining a larger after-tax amount, taking into account the income, excise and other taxes imposed on the payments and benefits. For additional information, see "Potential Payments Upon Termination or Change in Control". Benefits provided under the program include (i) a lump sum cash payment equal to one times the sum of the executive's base salary and the average of the prior three years' annual Incentive Bonus and (ii) a lump sum cash payment equal to the pro-rated portion of the executive's average of the prior three years' annual Incentive Bonus for the year of termination. The Change in Control Severance Plan includes non-solicitation, non-disparagement and confidentiality provisions and waivers of customary claims.

Executive Perquisites/Other Personal Benefits

We offer a very limited amount of perquisites and other personal benefits to our named executive officers. The Compensation Committee believes that these perquisites are reasonable and consistent with prevailing market practice and the Company's overall compensation program. Perquisites are not a material part of our compensation program. The Compensation Committee periodically reviews the levels of perquisites and other personal benefits provided to our NEOs. In 2015, with the exception of Mr. Kathwari, the NEOs did not receive any perquisites. Mr. Kathwari received: (1) access to and use of Company cars (including driver, gas, registration, title, insurance and maintenance) and a club membership; (2) reimbursement of life insurance premiums up to \$50,000; (3) a retirement contract (described below); (4) dividends and interest on a long-standing restricted stock book account established pursuant to his previous employment agreements; and (5) dividend equivalent payments on stock units awarded pursuant to a prior employment agreement. Mr. Kathwari's use of the Company car and club membership are as a convenience to the Company and are for business purposes. See footnote 7 to the "Summary Compensation Table".

Deductibility Cap on Executive Compensation

Section 162(m) of the Internal Revenue Code (the "Code") limits deductibility of annual compensation in excess of \$1 million paid to the Company's Principal Executive Officer and to each of its next three most highly compensated executive officers (other than the Principal Financial Officer) (for these purposes, the "Named Executives"). However, compensation is exempt from this limit if it qualifies as "performance-based compensation." As part of its role, the Compensation Committee considers the anticipated tax treatment to us and the executive officers in its review and establishment of compensation programs and payments. In general, the Compensation Committee believes that it is in our best interest to receive maximum tax deductions for compensation paid to the Named Executives. In general, we intend to pay

performance-based compensation, including equity compensation, in a manner that preserves our ability to deduct the amounts paid to executive officers, although to maintain flexibility in compensating Named Executives in a manner designed to promote varying corporate goals, the Compensation Committee may award compensation that is not fully deductible when it deems such award to be in the best interest of the Company.

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In 2015, the Company submitted an amended and restated Stock Incentive Plan to stockholders, to allow awards thereunder to qualify under the "performance-based compensation" requirements, which was approved by stockholders. The Company also submitted the incentive performance bonus provisions of the 2015 Employment Agreement to its stockholders who agreed to have the annual incentive bonuses granted under the 2015 Employment Agreement comply with the "performance-based compensation" requirements under Section 162(m) of the Code.

The 2015 Employment Agreement is intended to permit the Company to pay incentive compensation which qualifies as "performance-based compensation", thereby permitting the Company to receive a federal income tax deduction for the payment of such incentive compensation. If the Compensation Committee or Board of Directors makes a discretionary incentive compensation payment in the case of extraordinary economic circumstances under the 2015 Employment Agreement, such discretionary incentive compensation payment will not be tax-deductible under Section 162(m) of the Code.

Certain Conclusions as to Compensation

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

EXECUTIVE COMPENSATION

The following table sets forth compensation concerning the compensation for services rendered to us during the years indicated by our Principal Executive Officer, Principal Financial Officer and the three next most highly compensated executive officers (the "Named Executive Officers").

2016 Summary Compensation Table

	Salary	Bonus (1)	Stock awards (2)	Option awards (3)	Non-Equity Incentive Plan Compensation (4)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (5)	All other compensation
6	\$ 1,150,050	\$	\$ 1,557,400	\$	\$ 1,700,000	\$	\$
5	1,150,050				1,800,000	5,014	
4	1,150,050				1,800,000	4,884	
6	472,917	30,000	92,167		152,950		

5	426,923	150,000	114,191	
4	386,539	100,500	132,067	49,500
6	291,667		73,658	93,380
5	263,269	70,000	68,515	
6	322,917		73,658	104,650
5	300,000	85,000	114,191	
4	286,538	48,700	55,028	36,300
6	276,667		53,827	88,550

(1)

For Named Executive Officers other than Mr. Kathwari, amounts shown represent Annual Cash Bonus under the 2016 Incentive Award program described in the "Incentive Awards Annual Cash Bonus and Annual Non-Equity Incentive Plan Compensation" section.

(2)

Stock awards represent aggregate fair values of performance stock units as of each grant date, computed in accordance with Accounting Standards Codification Topic 718. For financial statement reporting purposes, these fair values are charged to expense over the vesting period, which is generally two to three years for stock unit awards. The actual values that employees may realize if any, will not be known until the vesting date and could differ significantly. See footnote 10 to the Company's Form 10-K for fiscal year ended June 30, 2016 for assumptions in the valuation.

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(3)

No option awards were granted in fiscal 2016. The amounts shown for option awards represent aggregate fair values as of each grant date, computed in accordance with Accounting Standards Codification Topic 718. For financial statement reporting purposes, these fair values are charged to expense over the vesting period, which is generally three to five years for option grants. The actual values that employees may realize if any, will not be known until the vesting date and could differ significantly. See footnote 10 to the Company's Form 10-K for fiscal year ended June 30, 2016 for assumptions in the valuation.

(4)

Includes incentive compensation for fiscal years 2016, 2015 and 2014, respectively, determined in accordance with the bonus formula and achievement of goals as described in the "Compensation Discussion and Analysis" section for Mr. Kathwari. For each NEO other than Mr. Kathwari, includes Non-Equity Incentive Plan Compensation under the 2016 Incentive Award program described in the "Incentive Awards Annual Cash Bonus and Annual Non-Equity Incentive Plan Compensation" section.

(5)

Includes the change in value of Mr. Kathwari's retirement contract. There was a decrease in the value of the contract of \$14,654 for fiscal 2016, and this decrease is not included in the sum of total compensation for fiscal 2016.

(6)

Amounts shown represent contributions by the Company pursuant to the Ethan Allen Retirement Savings Plan for each Named Executive Officer other than Mr. Kathwari for fiscal years 2016, 2015 and 2014.

(7)

The following is a detailed table outlining the components of Mr. Kathwari's "All Other Compensation" for fiscal years ended June 30, 2016, 2015 and 2014. Amounts reflected represent actual amounts charged to the Company's operations during each fiscal year.

	2016	2015	2014
<i>Life insurance premiums</i>	\$ 46,739	\$ 46,739	\$ 46,739
<i>401(k) - Company match</i>	\$1,300	\$1,300	\$1,300
<i>Personal service of Company staff</i>	\$5,000	\$5,000	\$5,000
<i>Profit sharing contribution</i>	\$841	\$677	\$645
<i>Total</i>	\$ 53,880	\$ 53,716	\$ 53,684

In addition, there were other incremental costs incurred by the Company during fiscal 2016 for: (i) a Company car (\$79,921); and (ii) a club membership (\$5,210); and (iii) access to charter air services (none in fiscal 2016) all of which were used solely for business purposes. It is Mr. Kathwari's practice to reimburse the Company for any incremental costs relating to his personal use of the club membership. In connection with Mr. Kathwari's nonqualified deferred compensation plans he also received dividends on stock units and dividend equivalent payments and interest on a dividend book account which are not included in this table. (See also "Nonqualified Deferred Compensation" and

"Executive Perquisites/Other Personal Benefits" below.)

Bonus

As discussed in the "Compensation Discussion and Analysis" section, the Compensation Committee considers the bonuses payable to the NEOs other than the Chief Executive Officer to be discretionary bonuses.

Non-Equity Incentive Plan Compensation

As discussed in the "Compensation Discussion and Analysis" section, the Compensation Committee considers the non-equity incentive plan compensation payable annually to the NEOs to be performance-based bonuses.

Equity Incentives

Stock Units and Restricted Stock. We award stock units and restricted stock to align the NEOs with long-term stockholder value and to provide competitive pay packages that serve to attract and retain qualified executives.

In fiscal 2016, the Company awarded 10,800 stock units with performance-based and time-based criteria to NEOs, other than Mr. Kathwari, pursuant to the Stock Incentive Plan. See Note 10 to "Notes to Consolidated Financial Statements" in the Company's Annual Report on Form 10-K for the year ended June 30, 2016 for additional information about share-based compensation. The actual number of performance stock units granted to each NEO in the year ended June 30, 2016 is disclosed in the "Grants of Plan-Based Awards" table below. See "Outstanding Equity Award at Fiscal Year-End" table and the footnotes thereto.

The accounting cost of restricted stock and performance stock unit awards, for which the exercise price is zero, is calculated based on the closing price of a single share of Common Stock on the date of the award for awards with no performance or market conditions. See Note 10 to "Notes to Consolidated Financial Statements" in the Company's Annual Report on Form 10-K for the year ended June 30, 2016 for additional information about share-based compensation. The Company has registered the issuance of the previously granted shares. Dividends are not payable on previously granted shares of unvested restricted stock; however Mr. Kathwari receives dividend-equivalent payments.

Table of Contents**2016 Grants of Plan Based Awards**

Name	Grant Date	Estimated future payouts under non-equity incentive plan awards			Estimated future payouts under equity incentive plan awards			Grant Date Fair Value of
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)	Stock and Option Awards
M. Farooq Kathwari	7/1/2015	\$ 375,000	\$ 750,000	\$ 1,700,000				
M. Farooq Kathwari	7/1/2015				32,500	65,000	81,250	\$ 1,557,400
Corey Whitely,	7/1/2015	\$ 66,500	\$ 133,000	\$ 199,500				
Corey Whitely,	4/19/2016				1,850	3,700	3,700	\$ 92,167
Daniel M. Grow	7/1/2015	\$ 40,600	\$ 81,200	\$ 121,800				
Daniel M. Grow	4/19/2016				1,300	2,600	2,600	\$ 73,658
Tracy Paccione,	7/1/2015	\$ 45,500	\$ 91,000	\$ 136,500				
Tracy Paccione,	4/19/2016				1,300	2,600	2,600	\$ 73,658
Clifford Thorn	7/1/2015	\$ 38,500	\$ 77,000	\$ 115,500				
Clifford Thorn	4/19/2016				950	1,900	1,900	\$ 53,827

The Non-Equity Incentive Plan award payable to Mr. Kathwari is the incentive compensation described in the 2015 Employment Agreement, which is described more fully in the "Compensation Discussion and Analysis" above. Mr. Kathwari is entitled to an incentive bonus based on the Company's adjusted operating income. The goals and objectives applicable to the Incentive Plan awards for NEOs other than Mr. Kathwari are described in detail under "Compensation Committee Approval of Named Executive Officer Compensation for 2016" in the "Compensation Discussion and Analysis".

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See "Compensation Discussion and Analysis" for an explanation of the base salary and bonus in proportion to total compensation payable to the NEOs, and "Outstanding Equity Awards at Fiscal Year-End" and the footnotes thereto for additional information regarding expirations and vesting of grants listed above.

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Outstanding Equity Awards at 2016 Fiscal Year-End

Option Awards					Stock Awards		
Number of securities underlying unexercised options					Shares or Units of Stock That Have Not Vested		Equity Awards: Units or C
(#) Exercisable	(#) Unexercisable	Equity incentive plan awards: unearned (#)	Option exercise price (\$)	Option expiration date	Number (#)	Market value (\$)	Number (#)
							81,250
					126,000	4,163,040	
150,000			34.03	10/10/2017			
90,000			24.62	7/1/2018			
40,000			15.93	11/11/2018			
120,000			13.61	10/1/2021			
							3,700
2,000			36.71	6/4/2017			
2,000			25.71	6/20/2018			