

ETHAN ALLEN INTERIORS INC
Form DEFC14A
October 27, 2015

Use these links to rapidly review the document

[TABLE OF CONTENTS](#)

[Table of Contents](#)

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

ETHAN ALLEN INTERIORS INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

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

Edgar Filing: ETHAN ALLEN INTERIORS INC - Form DEFC14A

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

Table of Contents

ETHAN ALLEN INTERIORS INC.

Ethan Allen Drive
Danbury, Connecticut 06811

October 26, 2015

Dear Stockholder:

You are cordially invited to attend the 2015 annual meeting of stockholders of Ethan Allen Interiors Inc. The annual meeting will be held at the Ethan Allen International Corporate Headquarters, Ethan Allen Drive, Danbury, Connecticut 06811 at 10:00 A.M., Eastern Time, on Tuesday, November 24, 2015.

In connection with the meeting, we have prepared a notice of the meeting, our proxy statement, and our 2015 annual report to stockholders, which provide detailed information relating to the meeting and your Company.

These materials are accompanied by a **WHITE** proxy or voting instruction card and postage-paid return envelope. **WHITE** proxy or voting instruction cards are being solicited on behalf of your Board of Directors.

Your vote will be especially important at the meeting. As you may have heard, Sandell Asset Management Corp. and certain of its affiliates have notified the Company that Sandell intends to nominate a slate of six nominees for election as directors at the meeting in opposition to nominees recommended by your Board of Directors. You may receive a proxy statement, **GOLD** proxy or voting instruction card and other solicitation materials from Sandell. The Company is not responsible for the accuracy of any information provided by or relating to Sandell or its nominees contained in solicitation materials filed or disseminated by or on behalf of Sandell or any other statements that Sandell may make.

Your Board of Directors does NOT endorse any of the Sandell nominees and unanimously recommends that you vote FOR the election of each of the nominees proposed by your Board of Directors. Your Board of Directors strongly urges you NOT to sign or return any proxy or voting instruction card sent to you by Sandell. If you have previously submitted a GOLD proxy or voting instruction card sent to you by Sandell, you can revoke that proxy and vote for your Board of Directors' nominees and on the other matters to be voted at the meeting by using the enclosed WHITE proxy or voting instruction card.

If your brokerage firm, bank or other similar organization is the holder of record of your shares (i.e., your shares are held in "street name"), you will receive voting instructions from the holder of record. You must follow these instructions in order for your shares to be voted. Your brokerage firm, bank or similar organization is required to vote those shares in accordance with your instructions. **Because of the contested nature of the election of directors, if you do not give instructions to your brokerage firm, bank or similar organization, such brokerage firm, bank or similar organization will not be able to vote your shares. We urge you to instruct your brokerage firm, bank or other similar organization, by following those instructions, to vote your shares as recommended by your Board of Directors on the WHITE proxy or voting instruction card.**

Holders of shares as of the close of business on October 5, 2015, the record date for the meeting, are urged to submit a WHITE proxy or voting instruction card, even if your shares were sold after such date.

Your management team expects to provide you with further information during the course of the solicitation and at the meeting. At the meeting, we also will review our progress during the past year and answer your questions.

For more information and up-to-date postings, please go to our website, www.ethanallen.com/investors. If you have any questions, please contact Georgeson Inc., our proxy solicitor assisting us in connection with the meeting. Stockholders, banks and brokers may call toll free at (866) 277-0928.

You will find information about the matters to be voted at the meeting in the accompanying notice of the meeting and proxy statement.

Edgar Filing: ETHAN ALLEN INTERIORS INC - Form DEFC14A

Table of Contents

We encourage you to vote your shares and we hope you will be able to attend the meeting. To ensure that your shares are represented at the meeting, even if you anticipate attending in person, we urge you to vote by proxy by submitting a **WHITE proxy or voting instruction card**. If you attend, you will, of course, be entitled to vote in person.

Thank you for your continued support, interest and investment in Ethan Allen.

Sincerely,

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

Table of Contents

PRELIMINARY PROXY STATEMENT SUBJECT TO COMPLETION

ETHAN ALLEN INTERIORS INC.

**Ethan Allen Drive
Danbury, Connecticut 06811**

NOTICE OF 2015 ANNUAL MEETING OF STOCKHOLDERS

To our Stockholders:

The 2015 annual meeting of stockholders of Ethan Allen Interiors Inc. will be held at the Ethan Allen International Corporate Headquarters on Tuesday, November 24, 2015 at 10:00 A.M., Eastern Time, for the purpose of considering and acting upon the following matters:

1. The election of seven directors;
2. The ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the 2016 fiscal year;
3. The approval, by non-binding advisory vote, of executive compensation of our Named Executive Officers;
4. The approval of the adoption of the Ethan Allen Interiors Inc. Stock Incentive Plan;
5. The approval of the incentive performance components of an Employment Agreement with M. Farooq Kathwari for purposes of tax deductibility;
6. The Approval of an amendment to the Ethan Allen Interiors Inc. 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; and
7. Such other business as may properly come before the meeting.

Your vote will be especially important at the annual meeting. As you may have heard, Sandell Asset Management Corp. and certain of its affiliates (together, "Sandell") have notified the Company that Sandell intends to nominate and solicit proxies to vote in favor of election at the annual meeting of a slate of six director nominees in opposition to the nominees recommended by your Board of Directors. We believe that Sandell, along with its affiliates, Castlerigg Master Investments Ltd., Castlerigg International Limited, Castlerigg International Holdings Limited, Castlerigg Offshore Holdings, Ltd., Castlerigg Active Investment Fund, Ltd., Castlerigg Active Investment Intermediate Fund, L.P., Castlerigg Active Investment Master Fund, Ltd., Castlerigg Equity Event and Arbitrage Fund, Pulteney Street Partners, L.P., and Thomas E. Sandell, are seeking to hand control of your Company over to a group of presumably like-minded nominees, without any disclosed strategy other than incurring debt and selling real estate and no strategy for operating or growing your Company and without paying any control premium to our stockholders. While control premiums are not commonly associated with the election of directors and are not required by law, they are common in connection with acquisitions of a controlling interest in a company. Stockholders are not entitled to appraisal or dissenters' rights if an opposition stockholder takes control of a board of directors through election of its own slate.

Your Board of Directors believes that allowing Sandell to gain control of the Company through the election of their director nominees to your Board of Directors would not be in the best interests of our stockholders. Your Board of Directors does NOT endorse any of the Sandell nominees. You may receive a proxy statement, GOLD proxy card and other solicitation materials from Sandell. The Company is not responsible for the accuracy of any information provided by or relating to Sandell or its nominees contained in solicitation materials filed or disseminated by or on behalf of Sandell or any other statements that Sandell may make. **YOUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE ELECTION OF EACH OF ITS NOMINEES ON THE ENCLOSED WHITE PROXY OR VOTING INSTRUCTION CARD AND URGES YOU NOT TO SIGN OR RETURN OR VOTE ANY PROXY OR VOTING INSTRUCTION CARD SENT TO YOU BY SANDELL.** If you have already voted using a

Table of Contents

GOLD proxy or voting instruction card sent to you by Sandell, you can **REVOKE** it by signing and dating the enclosed **WHITE** proxy or voting instruction card and returning it in the postage-paid envelope provided or by voting via the Internet or by telephone by following the instructions provided on the enclosed **WHITE** proxy or voting instruction card. Only your last-dated proxy will count, and any proxy may be revoked at any time prior to its exercise at the annual meeting as described in the accompanying proxy statement.

EVEN IF YOU PLAN TO ATTEND THE ANNUAL MEETING, WE REQUEST THAT YOU READ THE ACCOMPANYING PROXY STATEMENT AND VOTE YOUR SHARES BY SIGNING AND DATING THE ENCLOSED WHITE PROXY OR VOTING INSTRUCTION CARD AND RETURNING IT IN THE POSTAGE-PAID ENVELOPE PROVIDED OR BY VOTING VIA THE INTERNET OR BY TELEPHONE BY FOLLOWING THE INSTRUCTIONS PROVIDED ON THE ENCLOSED WHITE PROXY OR VOTING INSTRUCTION CARD.

UNLESS YOU PROVIDE SPECIFIC INSTRUCTIONS AS TO HOW TO VOTE, YOUR BROKER WILL NOT VOTE YOUR SHARES.

If your brokerage firm, bank or other similar organization is the holder of record of your shares (i.e., your shares are held in "street name"), you will receive voting instructions from the holder of record. You must follow these instructions in order for your shares to be voted. Your broker is required to vote those shares in accordance with your instructions. **In the event that Sandell contests the election of directors, the rules of the New York Stock Exchange do not permit brokers to exercise discretionary authority to vote on any proposals to be voted on at the annual meeting, whether routine or not. If you do not give instructions to your broker, your broker will not be able to vote your shares for the election of directors or any other Proposal. Only those votes cast for the election of directors are used in determining the results of a vote on the election of directors. Only those votes cast for or against Proposals 2 through 6 are used in determining the results of a vote on such Proposals. For purposes of Proposals 1 through 6, abstentions and other shares not voted (whether by broker non-vote or otherwise) will not be counted as votes cast and will have no effect on the result of the vote. We urge you to instruct your brokerage firm, bank or other similar organization, by following those instructions, to vote your shares as recommended by your Board of Directors on the WHITE proxy or voting instruction card.**

Your Board of Directors has fixed October 5, 2015 as the record date for determining stockholders entitled to notice of, and to vote at, the annual meeting. **For more information and up-to-date postings, please go to our website, www.ethanallen.com/investors.** If you have any questions, please contact Georgeson Inc. our proxy solicitor assisting us in connection with the annual meeting. Stockholders, banks and brokers may call toll free at (866) 277-0928.

By Order of your Board of Directors,

Eric D. Koster
Corporate Secretary

October 26, 2015
Ethan Allen Interiors Inc.
Ethan Allen Drive
Danbury, Connecticut 06811

YOUR VOTE IS IMPORTANT. PLEASE VOTE YOUR SHARES PROMPTLY. YOU CAN FIND VOTING INSTRUCTIONS ON THE ENCLOSED WHITE PROXY OR VOTING INSTRUCTION CARD. YOUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE (i) "FOR ALL" OF YOUR BOARD OF DIRECTOR'S SEVEN NOMINEES NAMED IN PROPOSAL 1 IN THE ATTACHED PROXY STATEMENT AND (ii) "FOR" PROPOSALS 2, 3, 4 AND 5.

Table of Contents

ETHAN ALLEN INTERIORS INC.

Ethan Allen Drive, Danbury, Connecticut 06811

PROXY STATEMENT

for Annual Meeting of Stockholders 2015

Table of Contents

TABLE OF CONTENTS

| | Page |
|--|-------------|
| <u>About the Meeting</u> | <u>1</u> |
| <u>Corporate Governance</u> | <u>7</u> |
| <u>Nominations/Corporate Governance Committee</u> | <u>13</u> |
| <u>Additional Background of the Solicitation</u> | <u>14</u> |
| <u>Proposal 1: Election of Directors</u> | <u>18</u> |
| <u>Audit Committee Report</u> | <u>22</u> |
| <u>Proposal 2: Ratification of the Appointment of our Independent Registered Public Accounting Firm</u> | <u>24</u> |
| <u>Compensation Committee</u> | <u>24</u> |
| <u>Compensation Committee Report</u> | <u>25</u> |
| <u>Compensation Discussion and Analysis</u> | <u>25</u> |
| <u>Proposal 3: Shareholder Approval, By Non-Binding Vote, of our Executive Compensation</u> | <u>54</u> |
| <u>Proposal 4: Approval of the Ethan Allen Interiors Inc. Stock Incentive Plan</u> | <u>55</u> |
| <u>Proposal 5: Approval of the incentive performance components of an Employment Agreement with M. Farooq Kathwari for purposes of tax deductibility</u> | <u>61</u> |
| <u>Proposal 6: Approval of an Amendment to the Ethan Allen Interiors Inc. Amended and Restated Certificate of Incorporation to Delete Article Fifth and Eliminate Requirement that Business Combinations be Approved by a Majority of Continuing Directors</u> | <u>65</u> |
| <u>Other Matters</u> | <u>66</u> |
| <u>Appendix A Ethan Allen Interiors Inc. Stock Incentive Plan</u> | <u>A-1</u> |

Table of Contents

ABOUT THE ANNUAL MEETING

This proxy statement (this "Proxy Statement") and the accompanying WHITE proxy or voting instruction card relate to the 2015 Annual Meeting of Stockholders (the "Annual Meeting") of Ethan Allen Interiors Inc., a Delaware corporation ("Ethan Allen"). The Board of Directors of your Company (your "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 he or she 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 WHITE proxy or voting instruction card will be first mailed or delivered to our stockholders beginning on or about October 26, 2015. When used in this Proxy Statement, "we," "us," "our," "Ethan Allen" or your "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:

1. The election of seven directors;
2. The ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the 2016 fiscal year;
3. The approval, by non-binding advisory vote, of executive compensation of our Named Executive Officers;
4. The approval of the adoption of the Ethan Allen Interiors Inc. Stock Incentive Plan;
5. The approval of the incentive performance components of an Employment Agreement with M. Farooq Kathwari for purposes of tax deductibility;
6. The approval of an amendment to the Ethan Allen Interiors Inc. 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; and
7. Such other business as may properly come before the Annual Meeting.

Stockholders will be asked to vote for nominees for all director seats on your Board of Directors as of the Annual Meeting. The term of office for directors elected at the Annual Meeting will continue until the 2016 Annual Meeting of Stockholders and their successors are duly elected and qualified or until their earlier removal, resignation or death. Your Board of Directors' nominees for election are: M. Farooq Kathwari, James B. Carlson, Clinton A. Clark, John J. Dooner, Jr., Domenick J. Esposito, James W. Schmotter and Tara I. Stacom.

Other than routine or procedural matters, we do not expect any other business will be proposed at the Annual Meeting, but if any other business is properly proposed, the proxyholders named in the WHITE proxy or voting instruction card will have authority to vote as recommended by your 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 voting instruction card" or, if your shares are held in street name and you give instructions to

Edgar Filing: ETHAN ALLEN INTERIORS INC - Form DEFC14A

the record holder of your shares, is called a "voting instruction card." You also may choose to abstain from voting.

Table of Contents

This Proxy Statement and the accompanying WHITE proxy or voting instruction card is furnished in connection with the solicitation by your Board of Directors, of proxies for use at the Annual Meeting to be held on Tuesday, November 24, 2015 at the Ethan Allen International Corporate Headquarters, Ethan Allen Drive, Danbury, Connecticut 06811 at 10:00 A.M., Eastern Time, or any adjournment thereof. This Proxy Statement and our 2015 annual report to Stockholders ("Annual Report") are first being mailed to stockholders on or about October 23, 2015.

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. Your Board of Directors has fixed the close of business on October 5, 2015 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 28,414,297 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 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 WHITE proxy or voting instruction card in the postage-paid envelope provided. You should sign your name exactly as it appears on the WHITE proxy or voting instruction card. 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 WHITE 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 WHITE proxy or voting instruction card, entering your control number located on the WHITE 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 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 WHITE proxy or voting instruction card, entering your control number located on the WHITE 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 (but not in "street name" through a broker) and if you sign your WHITE proxy or voting instruction card, but do not specify how you want your shares to be voted, they will be voted as your Board of Directors recommends.

Table of Contents

Your vote is important. Your Board urges you to submit a proxy for your shares as soon as possible by following the instructions provided on the enclosed WHITE 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 Monday, November 23, 2015. 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 your shares or, if you are a beneficial owner, you obtain a "legal proxy" from the record holder. 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 WHITE voting instruction card for your account or by registering your instructions over the Internet or by telephone as directed on the WHITE 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 Monday, November 23, 2015. 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
(203) 743-8508

Proxy Solicitor
Georgeson Inc.
480 Washington Blvd., 26th Floor
Jersey City, NJ 07310
(866) 277-0928

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

A: It means that your shares are registered in more than one way. Sign and return *all* WHITE 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 your Board for the Annual Meeting?

A: Eric D. Koster and Corey Whitely were selected by your Board of Directors to serve as proxyholders for the Annual Meeting of stockholders voting on WHITE proxy or voting instruction cards. Each properly executed and returned WHITE 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 your Board of Directors. In voting by proxy with regard to the election of directors, stockholders may vote in favor of all nominees, withhold their vote as to all nominees or withhold their vote as to a specific nominee(s). Each stockholder giving a proxy has the power to revoke it at any time before the shares it represents are voted. Revocation of a proxy is

Table of Contents

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: 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. New York Stock Exchange ("NYSE") Rule 452 prohibits brokers from exercising "discretionary voting" on any matter submitted to a vote in connection with any stockholder meeting involving, among other things, a contested election of directors. Therefore, if your shares are held in "street name" by your broker and you do not provide instructions to your broker on how you want your shares voted, your broker is prohibited from exercising discretionary voting and voting those shares.

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 (including an abstention or withheld vote) are included in determining the number of shares present. Broker shares that are not voted on any matter will not be included in determining whether a quorum is present.

Q: What vote is needed to elect directors?

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

In voting by proxy with regard to the election of directors, stockholders may vote in favor of all nominees, withhold their vote as to all nominees or withhold their vote as to a specific nominee(s).

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 all other Proposals.

Approval of the compensation of our Named Executive Officers (collectively, the "NEOs") is advisory and will not be binding on your Board of Directors or the Company. However, your Board of Directors will review the voting results on this Proposal 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 will my shares be voted if I do not return my proxy or voting instruction card?

A: It will depend on how your ownership of shares of Common Stock is registered.

Edgar Filing: ETHAN ALLEN INTERIORS INC - Form DEFC14A

If you are the registered holder of your shares, which means that your shares of Common Stock are registered in your name with Computershare Investor Services LLC ("Computershare"), our transfer agent, your shares will only be voted if you properly mark, sign date and return a proxy card or you

Table of Contents

attend the Annual Meeting to vote them in person. Otherwise, your shares will not be represented at the Annual Meeting and will not count toward the presence of a quorum.

If you hold your shares in street name, which means that your shares are registered in the name of your brokerage firm, bank or similar organization, it may not vote your shares in its discretion if you have not provided voting instructions.

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.

Revoking your vote and submitting a new vote before the deadline of 11:59 p.m., Eastern Time, on November 23, 2015. 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 23, 2015. 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 WHITE 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 WHITE proxy or voting instruction card or, if you vote via the internet or telephone, vote once for each WHITE proxy or voting instruction card you receive.

If Sandell proceeds with its previously announced proxy solicitation, we will likely conduct multiple mailings prior to the Annual Meeting date so that stockholders have our latest proxy information and materials to vote. We will send you a new WHITE proxy or voting instruction card with each mailing, regardless of whether you have previously voted. The latest dated proxy you submit will be counted, and, if you wish to vote as recommended by your Board, then you should only submit WHITE proxy or voting instruction cards.

Q: What should I do with the GOLD proxy or voting instruction cards sent to me by Sandell?

A: Sandell has nominated six individuals for election as directors at the Annual Meeting. Nominations made by Sandell have NOT been endorsed by your Board. The Company is not responsible for the accuracy of any information provided by or relating to Sandell or its nominees contained in solicitation materials filed or disseminated by or on behalf of Sandell or any other statements that Sandell may make.

Table of Contents

Please do not return any GOLD proxy or voting instruction card you may receive from Sandell or otherwise authorize any proxy other than pursuant to a WHITE proxy or voting instruction card to vote your shares at the Annual Meeting, even as a protest vote. If you return a GOLD proxy or voting instruction card to Sandell or otherwise authorize a proxy to vote your shares at the meeting other than pursuant to a WHITE proxy or voting instruction card, you can change your vote. To revoke your prior proxy and change your vote, simply sign the enclosed WHITE proxy or voting instruction card, date it and return it in the postage-paid envelope provided or follow the instructions located on the WHITE proxy or voting instruction card to vote via Internet or by telephone. Only your latest dated proxy will be counted. Any proxy may be revoked at any time prior to its exercise at the Annual Meeting. If you have any questions or need assistance voting, please contact our proxy solicitor:

Georgeson Inc.
480 Washington Blvd., 26th Floor
Jersey City, NJ 07310
Call toll-free: (866) 277-0928

Q: **Are stockholders entitled to premium or appraisal or similar dissenter's rights if Sandell takes control of your Company?**

A: Stockholders will not be entitled to a premium or appraisal or similar dissenter's rights if Sandell takes control of your Company through the election of their nominees.

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.

Table of Contents

CORPORATE GOVERNANCE

Your Board of Directors has determined that nominees Clinton A. Clark, James B. Carlson, John J. Dooner, Jr., Domenick J. Esposito, James W. Schmotter and Tara I. Stacom (six of the seven nominees for your Board of Directors), as well as Kristin Gamble and Frank G. Wisner (the two directors who have announced that they are retiring from your 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 your 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, your 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, your Board of Directors must make a determination that the relationship is not material as a prerequisite to finding that the director is independent.

Corporate Governance Highlights

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

Published Governance Guidelines. A copy of the Governance Guidelines as well as our Code of Ethics, Charters for our Audit 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 our Chairman of the Board who is also the 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. Your 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. Your Board of Directors has determined that all four 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.

Table of Contents

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 subject to annual election.

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

Amended Stock Plan. After considering evolving executive compensation practices and the views of leading shareholder advisory services, the Compensation Committee has reviewed, amended and restated the Company's 1992 Stock Option Plan, and renamed it the Ethan Allen Interiors Inc. Stock Incentive Plan, which is subject to the review and vote of our stockholders at the Annual Meeting as set forth in Proposal 4. The Stock Incentive Plan is being submitted for stockholder approval in order to comply with the requirements of section 162(m) of the Internal Revenue Code relating to deductibility of performance-based compensation and to update the Plan for changes in corporate governance practices since it was last submitted for stockholder approval. The Company is not proposing to increase the current number of authorized and available shares for future issuance under the Plan

Formal Adoption of Additional Policies

In 2013, we decided to formalize and clarify our best practices in relation to our Board of Directors and executive officers in a Director Policy and Executive Officer Policy which became effective as of the 2013 Annual Meeting of Stockholders. Some of the best practices provided in the Director Policy and Executive Officer Policy (including updates through 2015) 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 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 annually or as necessary after a significant increase or decrease in share price.

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

No Hedging / Pledging Policy. 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 including the Company's Statement of Policy Concerning Trading in the Company's Securities available under "Corporate Governance Charters and Policies" on our website at www.ethanallen.com/governance.

Table of Contents

No Repricing or Buyouts. The Company's stock options and other awards for directors and executive officers under the Stock Incentive Plan will prohibit 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 2011 Employment Agreement and the 2015 Employment Agreement (each 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 2011 Employment Agreement and the employment agreement, dated as of October 1, 2015, and effective as of July 1, 2015, between the Company and Mr. Kathwari (the "2015 Employment Agreement"), 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 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.

Lead Independent Director. The Company defined the role of the Lead Independent Director, a position which rotates annually. Dr. Schmotter, 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 2015 there was 100% attendance by each director at each regularly scheduled meeting of your Board of Directors and its committees.

Director Tenure. Your 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 your Board of Directors and its committees. The Company's long-serving directors, Kristin Gamble and Frank G. Wisner, are retiring from your Board of Directors immediately prior to the Annual Meeting, and the Company's long-serving director, Clinton A. Clark, announced his determination, if reelected, to retire immediately prior to the 2016 Annual Meeting of Stockholders, see "Nominations/Corporate Governance Committee Report".

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 re-elected 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 his term, a director will resign as a director.

Table of Contents

Limitation 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.

These policies may be waived, updated or modified by any of the Nominations Committee, Compensation Committee or your Board of Directors, upon notice to the Company and your Board of Directors, as applicable. They are accessible under "Corporate Governance Charters and Policies" on our website at www.ethanallen.com/governance.

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 your 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.

Certain Transactions

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

Certain Relationships and Related Party Transactions

The Company recognizes that transactions between the Company and related persons present a potential for actual or perceived conflicts of interest. The Company's general policies with respect to such transactions are included in its Code of Business Conduct and Ethics ("Business Code"), the administration of which is overseen by the Nominations 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.

Table of Contents

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 Committee. The Nominations Committee reviews and considers all relevant information available to it about each related party transaction and presents the facts to the members of your Board of Directors not associated with the potential related party transaction. A related party transaction is approved or ratified only if such members of your Board of Directors determine that it is not inconsistent with the best interests of the Company and its stockholders.

Consistent with the Company's policies, on February 1, 2015, Robin van Puyenbroeck was hired as the Company's Vice President, Business Development. Mr. van Puyenbroeck is the son-in-law of Mr. Kathwari, the Company's Chairman, President and Chief Executive Officer. Mr. van Puyenbroeck reports to the Senior Vice President, Business Development. Drawing on his international business development background and experience, he is responsible for expanding the Company's business through the acquisition of new licensees, especially in international markets, maintaining and improving relationships with existing licensees, as well as identifying and procuring new business partnership and affiliation opportunities for the Company. Mr. van Puyenbroeck's total compensation was approximately \$228,926 including consulting fees, salary, bonus and equity incentive compensation in fiscal 2015. The Nominations Committee, the Compensation Committee and your Board of Directors reviewed Mr. van Puyenbroeck's background, prior experience, role and reporting relationships and expectations within the Company, as well as his compensation, and initially structured the Company's relationship with him as a consultant in order to monitor his ability to work with the Company and later approved Mr. van Puyenbroeck's employment and compensation. The Compensation Committee and your Board expects periodically and at each fiscal year end to provide an on-going review of Mr. van Puyenbroeck's employment with the Company, including in relation to his compensation.

Compensation Committee Interlocks and Insider Participation

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

Charters, Code and Guidelines

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

Leadership Structure and Board of Directors' Role in Risk Oversight

The Company defined the role of the Lead Independent Director, a position which rotates annually. Your 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

Table of Contents

control of the Company by asserting independent leadership of your Board, increasing your Board's independence over management. Your Board formally designated Dr. Schmotter, 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.

Your Board of Directors believes that the best interests of the Company are served by Mr. Kathwari serving as both Chairman and Chief Executive Officer taking account of his unique long standing stature and investment in the Company and also your Board's utilization of a Lead Independent Director. Your 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 your Board of Directors.

Your 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 your Board's risk management is to understand the risks the Company faces and what steps management is taking to mitigate those risks. Your Board of Directors participates in discussions with management concerning the Company's overall level of risk, the Company's business strategy and organizational objectives which are all integral components of its assessment of management's tolerance for risk.

Meetings and Committees of Your Board of Directors

During fiscal year 2015, there were four (4) regularly scheduled meetings of your Board of Directors in addition to the 2014 Annual Meeting of Stockholders. Independent directors also met four (4) times in executive session without management present. The executive sessions were chaired by the Lead Independent Director, currently James W. Schmotter.

All directors are expected to attend all regularly scheduled and special Board of Directors meetings, independent director meetings and committee meetings, as appropriate. Your 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 your 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 2014 Annual Meeting of Stockholders. In fiscal year 2015, there was 100% attendance by each director at each of the four regularly scheduled Board of Directors meetings, five 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 three special Audit Committee meetings.

Edgar Filing: ETHAN ALLEN INTERIORS INC - Form DEFC14A

Table of Contents

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

| Name | Audit Committee | Nominations Committee | Compensation Committee | Lead Independent Director |
|----------------------|--------------------|--------------------------|---------------------------|------------------------------|
| Clinton A. Clark | Chairperson | | | |
| James B. Carlson | Member | | Chairperson | |
| John J. Dooner, Jr. | | Member | Member | |
| Domenick J. Esposito | Member | | | |
| Kristin Gamble(1) | Member | | Member | |
| James W. Schmotter | Member | Chairperson | | X |
| Frank G. Wisner(1) | | Member | | |

(1)

Ms. Gamble and Mr. Wisner have been long-term members of your Board of Directors and have served with distinction, having made substantial contributions to the success of the Company. Both have announced their intent to r