ETHAN ALLEN INTERIORS INC
Form 8-K
October 24, 2005

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

Current Report
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): October 24, 2005

ETHAN ALLEN INTERIORS INC.
(Exact name of registrant as specified in its charter)

Delaware	**1-11692**	**06-1275288**
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification Number)

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

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

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

INFORMATION TO BE INCLUDED IN REPORT

SECTION 2 FINANCIAL INFORMATION

Item 2.02 Results of Operations and Financial Condition

The information contained within Item 2.02 of this Form 8-K and the Exhibits attached hereto shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934 and shall not be deemed incorporated by reference in any filing under the Securities Act of 1933, except as shall be expressly set forth by specific reference in such filing.

On October 24, 2005, Ethan Allen Interiors Inc. (Ethan Allen or the Company) issued a press release setting forth its operating results for the three months ended September 30, 2005. A copy of the press release is attached hereto as Exhibit 99.1 and hereby incorporated by reference.

Exhibits 99.1 and 99.2 include references to the Company s (i) consolidated operating profit, (ii) wholesale operating profit, (iii) net income, (iv) earnings per share, and (v) earnings before interest, taxes, depreciation and amortization (EBITDA), all excluding the effects of restructuring and impairment charges recorded during the three months ended September 30, 2005 as a result of the Company s announcement of its decision to convert one of its existing manufacturing facilities into a regional distribution center. A reconciliation of these financial measures to the most directly comparable financial measure reported in accordance with generally accepted accounting principles (GAAP) is also provided in Exhibit 99.2.

Management believes that excluding items which are deemed to be non-recurring in nature from financial measures such as operating profit, wholesale operating profit, net income, and earnings per share, allows investors to more easily compare and evaluate the Company s financial performance relative to prior periods and industry comparables. These adjusted measures also aid investors in understanding the operating results of the Company absent such non-recurring or unusual events.

Management considers EBITDA an important indicator of the operational strength and performance of its business, including the ability of the Company to pay interest, service debt and fund capital expenditures. Given the nature of the Company s operations, including the tangible assets necessary to carry out its production and distribution activities, depreciation and amortization represent Ethan Allen s largest non-cash charge. As these non-cash charges do not affect the Company s ability to service debt or make capital expenditures, it is important to consider EBITDA in addition to, but not as a substitute for, operating income, net income and other measures of financial performance reported in accordance with GAAP, including cash flow measures such as operating cash flow. Further, EBITDA is one measure used to determine compliance with the Company s existing credit facility.

SECTION 9 FINANCIAL STATEMENTS AND EXHIBITS

Item 9.01 Financial Statements and Exhibits

(c) Exhibits

Exhibit	Description
99.1	Press release dated October 24, 2005
99.2	Reconciliation of unaudited, non-GAAP financial information disclosed in October 24, 2005 press release and conference call to the most directly comparable GAAP financial measure

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ETHAN ALLEN INTERIORS INC.

Date: October 24, 2005

By: /s/ M. Farooq Kathwari
M. Farooq Kathwari

Chairman, President and
Chief Executive Officer

EXHIBIT INDEX

Exhibit	Description
99.1	Press release dated October 24, 2005
99.2	Reconciliation of unaudited, non-GAAP financial information disclosed in October 24, 2005 press release and conference call to the most directly comparable GAAP financial measure

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2.45

%

Continental Assurance Company on Behalf of Its Separate Account(E)

$

500,000

0.32

%

20,807

*

CSS, LLC

$

4,000,000

2.58

%

166,458

*

DBAG London

$

13,260,000

8.55

%

551,809

1.58

%

Deutsche Bank Sec., Inc

$

2,030,000

1.31

%

84,477

*

Drawbridge Convertible I.

$

500,000

0.32

%

20,807

*

Drawbridge Convertible II, Ltd.

$

160,000

0.10

%

6,658

*

Drawbridge Global Macro Master Fund Ltd.

$

2,340,000

1.51

%

97,378

*

Exis Differential Holdings Ltd.

$

5,000,000

3.23

%

208,073

*

Hamilton Multi-Strategy Master Fund LP

$

1,191,000

0.77

%

49,562

*

HSBC Investments (USA) Inc. for A/C HSBC Multistrategy Arbitrage Fund

$

1,000,000

0.65

%

41,614

*

JP Morgan Securities Inc.

$

8,500,000

5.48

%

353,724

1.02

%

LDG Limited

$

78,000

0.05

%

3,245

*

LLT Limited

$

504,000

0.33

%

20,973

*

Louisiana CCRF

$

100,000

0.06

%

4,161

*

McMahan Securities Co. L.P.

$

1,000,000

0.65

%

41,614

*

MSD TCB, LP

$

32,000,000

20.65

%

1,331,667

3.73

%

Nisswa Master Fund Ltd.

$

2,250,000

1.45

%

93,632

*

Sunrise Partners Limited Partnership

$

1,000,000

0.65

%

41,614

*

UBS O Connor LLC F/B/O O Connor Global Convertible Arbitrage Master Limited

$

19,320,000

12.46

%

803,994

2.28

%

UBS O Connor LLC F/B/O O Connor Global Convertible Arbitrage II Master Limited

$

2,000,000

1.29

%

83,229

*

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UBS O Connor LLC F/B/O O Connor Global Convertible Bond Master Limited	$1,500,000	0.97	%	62,421	*
US Bank F/B/O Benedictine Health Systems	$75,000	0.05	%	3,121	*
Waterstone Market Neutral MAC 51, Ltd.	$608,000	0.39	%	25,301	*
Wolverine Convertible Arbitrage Fund Limited	$3,500,000	2.26	%	145,651	*

* Less than 1%.

(1) Assumes issuance of the maximum number of shares of common stock upon conversion of all of the holder s notes at a conversion rate per share of 41.6146 per $1,000 principal amount of notes. This conversion rate, however, will be subject to adjustment as described under Description of the Notes Conversion Rights in the prospectus. As a result, the number of shares of our common stock issuable upon conversion of the notes may increase or decrease in the future. In addition, the number of shares to be issued upon conversion of the holder s notes as set fourth in the table above does not give effect to the cash payment we will make as a principal return upon conversion of the notes because the impact such cash payment has on the actual number of shares to be issued upon conversion of the notes diminishes as the price of our common stock increases.

(2) Calculated based on 34,415,296 shares of common stock outstanding as of July 31, 2005. In calculating this amount for each holder, we treated as outstanding the number of shares of common stock issuable upon conversion of all of that holder s notes but we did not assume conversion of any other holder s notes.

(3) Information about other selling securityholders will be set forth in one or more prospectus supplements or amendments, if required. Assumes that any other holders of notes, or any future transferees, pledges, donees, or successors of or from any such other holders of notes, do not beneficially own any common stock other than the common stock issuable upon conversion of the notes at the initial conversion rate.

We prepared this table based on the information supplied to us by the selling securityholders named in the table, and we have not sought to verify such information. We do not believe we have had in the past three years any material relationships with the selling securityholders listed in the above table and such selling securityholders have not advised us of any such material relationships.

Because the selling securityholders may offer all or some of their notes or the shares of our common stock issuable upon conversion of the notes from time to time, we cannot estimate the amount of the notes or number of shares of our common stock that will be held by the selling securityholders upon the termination of any particular offering by such selling securityholder. Please refer to Plan of Distribution in the prospectus.

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