Corporate Governance Guidelines

1. Purpose And Power

These Guidelines shall together serve as the Company's Corporate Governance Guidelines.

2. Director Qualification Standards

The members of the Board must qualify as independent directors in accordance with the applicable provisions of the Securities Exchange Act of 1934, and the rules promulgated thereunder and the applicable rules of the New York Stock Exchange.

It is expected that the Corporate Governance/Nominations Committee shall review annually with the Board the requisite skills, qualifications and characteristics for the continuation of directors as members of the Board, the selection of new members of the Board and the composition of the Board, all in the context of the needs of the Company. These skills, qualifications and characteristics will include independence, diversity, age and experience. It is expected that prospective nominees for election as a director will be recommended to the Board by the Corporate Governance/Nominations.

3. Director Term Limits

It is the policy of the Board that a director must tender his or her resignation as a director (a) in the case of a director who is also an executive of the Company, the effectiveness of his or her termination of employment and services to the Company and (b) in the case of any director upon the conclusion of the Nominations/Governance Committee that he or she no longer satisfies the requirements, expectations and standards for service as a director.

4. Director Responsibilities

Under Delaware law, the business and affairs of the Company shall be managed by or under the direction of the Board and the directors shall act only as a board, and the individual directors shall have no power as such. Further, except as otherwise provided in the Certificate of Incorporation or the By-Laws, the Board may exercise any and all of the authority and power which are not by law, the Certificate of Incorporation or the By-Laws required to be exercised by the stockholders.

In addition, under applicable Delaware law, the basic responsibility of a director is the exercise of his or her duty of care, duty of undivided loyalty and duty of candor to the Company and its stockholders, which includes the exercise of his or her business judgment in good faith, on a reasonably informed basis and in a manner he or she believes to be in the best interests of the Company and its stockholders. In discharging that responsibility, each director is entitled to:

- rely on the honesty and integrity of officers, employees, counsel, advisors and auditors;
- have the Company purchase adequate directors' and officers' liability insurance on his or her behalf;
- indemnification to the fullest extent permitted by law, the Certificate of Incorporation and the By-Laws; and
- exculpation to the fullest extent provided by law and the Certificate of Incorporation.

The Board will schedule regular executive sessions where non-management directors (i.e., directors who are not company officers but who do not otherwise have to qualify as "independent" directors) meet without management participation. The non-management directors shall either select a non-management director to preside at each executive session or shall establish a procedure by which the presiding director for each executive session shall be selected. The Board or the Company will establish methods by which interested parties may communicate directly with the presiding director or with the non-management directors of the Board as a group and cause such methods to be disclosed.

5. Director Attendance

The Board 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 obligations to the Company. Directors are expected to attend at least 75% of Board meetings and meetings of Committees of the Board each year. If a director is absent from more than 25% of the official meetings of the Board or any committee of which the director is a member in any year, the director will resign from the Board.

Any director who is no longer active in business or a professional through other directorships, employment, consulting or other professional or organizational services during his term of office shall tender his resignation to the Board.

The Board shall not nominate a director at any time after his 77th birthday (subject to waiver or extension).

6. Role of Lead Independent Director

The Board will designate a lead independent director, a position which will rotate annually. The lead independent director will organize and chair meetings of the independent directors of the Board, and organize, facilitate and communicate observations of the independent directors to the Chief Executive Officer, although each director is also free to communicate directly with the Chief Executive Officer.

7. Committees

The Board shall establish and at all times maintain three standing committees: the Audit Committee; the Corporate Governance/Nominations Committee; and the Compensation Committee. Each committee must operate in accordance with applicable law, their respective charters as adopted and amended from time to time, and the applicable rules of the Securities and Exchange Commission and the New York Stock Exchange. The Board may establish and maintain, at any time from time to time and for so long as it shall deem necessary or appropriate, such other committees and delegate to such committees such authority permitted by applicable law and the Company's By-laws, as the Board sees fit.

If an Audit Committee member simultaneously serves on an audit committee of more than three public companies, the Board shall determine that such simultaneous service would not impair the ability of such member to effectively serve on the Audit Committee, which determination shall be disclosed in the Company's annual proxy statement or on its website.

Each committee will have its own charter. All committee charters and changes thereto must be approved by the Board.

8. Director Access To Management and Independent Advisors

The Company shall provide each director with complete access to the management of the Company, subject to reasonable advance notice to the Chief Executive Officer and reasonable efforts to avoid disruption to the Company's management, business and operations. The Board and Board committees have the right to retain, consult and compensate independent legal and other advisors at the expense of the Company.

9. Director Compensation

The Compensation Committee will review, make determinations and recommend to the Board the form and amount of director compensation, including cash, equity-based awards and other director compensation. In connection with director compensation, the Board is aware that questions may be raised when directors' fees and benefits exceed what is customary. Similarly, the Board is aware that the independence of directors could be questioned if substantial charitable contributions are made to organizations with which a director is affiliated or if the Company enters into consulting contracts with, or provides other indirect compensation to, a director. The Corporate Governance/Nominations Committee will critically evaluate each of these matters when determining the form and amount of director compensation and the independence of a director.

10. Director Orientation and Continuing Education

The Company will establish, or identify and provide access to, appropriate orientation programs, sessions or materials for newly elected directors either prior to or within a reasonable period of time after their nomination or election as a director. Orientation programs should include presentations by senior management to familiarize new directors with strategic plans, significant financial, accounting and risk management issues, compliance programs, principal officers, and internal and independent auditors. In addition, orientation programs should include visits to headquarters and, to the extent practical, certain significant facilities. Directors are encouraged to periodically participate in continuing education programs as to the responsibilities of directors of publicly-traded companies, and the Company shall reimburse directors for reasonable costs associated therewith.

11. Policy Governing Loans

The Company shall not make personal loans or credit advances to directors, except for ordinary travel and expense advances (limited to directors who reside outside the New York metropolitan area), advance director fee payments, and advances and other payments as may be necessary to comply with director indemnification requirements pursuant to the Company's Certificate of Incorporation, By-laws, applicable law or otherwise.

12. Annual Performance Evaluation of the Board

Under leadership of the Corporate Governance/Nominations Committee, the Board will conduct a self-evaluation annually to determine whether it and its committees are functioning effectively. The Board will discuss the evaluation report to determine what, if any, action could improve Board and Board committee performance. Under leadership of the Corporate Governance/Nominations Committee, the Board shall review these Guidelines on an annual basis to determinate whether any changes are appropriate.

13. Management Evaluation and Succession

The Board (not including any members of management of the Company) will conduct an annual review of the performance and compensation of the Chief Executive Officer.

Under leadership of the Corporate Governance/Nominations Committee and in consultation with the Chief Executive Officer, the Board will establish and review policies and procedures regarding succession to the Chief Executive Officer in the event of emergency or retirement.

14. Policy Restricting Employment Agreements with Executive Officers

Unless granted specific approval by the Board, the Company shall not enter into employment agreements with, or grant equity based compensation to, executive officers, except for equity grants under the Company's equity based compensation plans.

15. Policy Requiring Directors and Executive Officers to Hold Company Stock

In order to more fully align the financial interests of directors and executive officers with stockholders, it is the policy of the Company that directors and executive officers should hold Company stock acquired under equity based compensation plans for one year following exercise or vesting, as applicable, except to the extent necessary to pay income and other taxes assessed upon exercise of the option or vesting of that stock or to provide for funds for the exercise of the options (including any "cashless" exercise of the options).

16. Policy Governing Value of Company Stock to be Owned by Directors and Executive Officers

In order to more fully align the financial interests of directors and executive officers with stockholders, it is the policy of the Company that directors and executive officers should acquire over five years and maintain ownership of an amount of Company stock with a value equal to a multiple of the base salary (three times annual cash compensation for directors, five times salary for the Chief Executive Officer, and two times salary for the other executive officers). Pledged shares shall not be considered when determining compliance with these Guidelines. These standards shall be reviewed on an annual basis and may be modified from time to time as necessary after a significant increase or decrease in share price.

17. Policy Prohibiting Hedging and/or Pledging of Company Stock

In order to more fully align the financial interests of directors and executive officers with stockholders, the Company prohibits directors and executive officers from hedging or pledging Company stock. Any hedges or pledges in place by any director or executive officer prior to the 2013 annual meeting of stockholders must be disclosed to the Company and terminated within three years thereafter.

18. Policy Limiting Compensation to "Qualified Performance-Based Compensation"

In an effort to preserve tax deductibility to the Company, it is the policy of the Company that compensation paid to the Chief Executive Officer and four other most highly compensated officers be within the limits (and exceptions thereto) prescribed by Section 162(m) of the Internal Revenue Code unless granted specific approval by the Compensation Committee, noting that deductibility will not be the sole factor used in determining appropriate levels or methods of compensation and that the Company's objectives may not always be consistent with the requirements for full deductibility.

19. Recoupment Policy

It is the policy of the Company that it should have the right to recoup any incentive compensation (cash or equity) paid or payable by the Company at any time to the extent such recoupment either (i) is required by applicable law, or (ii) resulted from employee misconduct during the period in which performance was measured; provided, however, that, in each instance prior to any recoupment, the employee first be afforded a reasonable opportunity to be heard by the Board. The Board shall regularly review best practices in governance and executive compensation, and when necessary, shall revise the Company's practices and plans to effect to this policy.

20. Policy Requiring Change-In-Control Agreements to Contain A "Double Trigger"

It is the policy of the Company that any employment agreement between the Company and an executive shall contain a "double trigger" mechanism which mandates that, in the event of a change-of-control, a termination without cause by the Company or with good reason by the executive must occur before the Company's exposure for any service to the executive.

21. Insider Trading policies.

A director and executive officer will comply in all respects with the Company's Statement of Policy Concerning Trading in the Company's Securities.

22. Amendment, Modification and Waiver

These Guidelines may be amended, modified or waived by the Board and waivers of these Guidelines may also be granted by the Corporate Governance/Nominations Committee.

23. Website

These Guidelines and the charters of the Compensation Committee, the Audit Committee, and the Corporate Governance/Nominations Committee shall be published and accessible by the stockholders under the heading "Corporate Governance Charters & Policies" on the Corporate Governance page of the Company's website at www.EthanAllen.com.

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