ETHAN ALLEN INTERIORS INC.

STATEMENT OF POLICY

CONCERNING

TRADING IN THE COMPANY'S SECURITIES

DATED

October 15, 2013

I.

THE USE OF INSIDE INFORMATION IN CONNECTION WITH TRADING IN SECURITIES

A. General Rule.

The U.S. securities laws regulate the sale and purchase of securities in the interest of protecting the investing public. U.S. securities laws give Ethan Allen Interiors Inc. (the "Company"), its officers and directors, and other employees the responsibility to ensure that information about the Company is not used unlawfully in the purchase and sale of securities.

All employees and directors should pay particularly close attention to the laws against trading on "inside" information. These laws are based upon the belief that all persons trading in a company's securities should have equal access to all "material" information about that company. For example, if an employee or a director of a company knows material non-public financial information, that employee or director is prohibited from buying or selling stock in the company until the information has been disclosed to the public. This is because the employee or director knows information that will probably cause the stock price to change, and it would be unfair for the employee or director to have an advantage (knowledge that the stock price will change) that the rest of the investing public does not have. In fact, it is more than unfair. It is considered to be fraudulent and illegal. Civil and criminal penalties for this kind of activity are severe.

The general rule can be stated as follows: It is a violation of the federal securities laws for any person to buy or sell securities if he or she is in possession of material inside information that they have a duty to keep confidential. Information is material if it could affect a person's decision whether to buy, sell or hold the securities. It is inside information if it has not been publicly disclosed. Furthermore, it is illegal for any person in possession of material inside information to provide other people with such information or to recommend that they buy or sell the securities. (This is called "tipping".) In that case, they may both be held liable; however, the information disclosed must have been disclosed in violation of the insider's duty to keep it confidential and the tippee must have known or should have known that the information was confidential. While it is not possible to identify all information that would be deemed "material," the following types of information ordinarily would be considered material:

- Financial performance, especially quarterly and year-end results of operations, and significant changes in financial performance, conditions or liquidity.

- Company projections and strategic plans.

- Potential mergers and acquisitions or the sale of Company assets or subsidiaries.

- New major contracts, collaborations, orders, suppliers, customers, or finance sources, or the loss thereof.

- Significant changes or developments in products or product lines.

- Significant changes or developments in supplies or inventory, including significant product defects, recalls or product returns. Significant pricing changes.

- Stock splits, public or private securities/debt offerings, or changes in Company dividend policies or amounts.

- Significant expansion or curtailment of operations of business.

- Positive or negative changes in earnings estimates which have been published or disclosed by analysts or other third parties and adopted by the Company.

- Refinancings or decreases in capital resources or liquidity.

- Any events that make a previous material forward-looking estimate, forecast, projection or statement, although accurate when made, no longer accurate.

- Significant changes in senior management.

- Significant labor disputes or negotiations.

- Actual or threatened major litigation or the resolution of such litigation.

The rule applies to any and all transactions in the Company's securities, including its common stock and options and warrants to purchase common stock (other than the exercise of employee stock options or warrants), and any other type of securities that the Company may issue, such as preferred stock, convertible debentures, warrants and exchange-traded options or other derivative securities.

The Securities and Exchange Commission (the "SEC"), the stock exchanges and plaintiffs' lawyers focus on uncovering insider trading. Persons violating insider trading or tipping rules may be required to disgorge the profit made or the loss avoided by the trading or pay the other's loss suffered. A breach of the insider trading laws could expose the insider to criminal fines up to three times the profits earned and imprisonment of up to ten years, in addition to civil penalties (up to three times the profits earned or losses avoided), and injunctive actions. In addition, punitive damages may be imposed under applicable state laws. Securities laws also subject controlling persons to civil penalties for illegal insider trading by employees, including employees located outside the United States. Controlling persons include directors, officers, and supervisors. These persons may be subject to fines up to the greater of $1,000,000 or three times the profit (or loss avoided) by the insider trader. Violators could face up to a ten year jail term. Inside information does not belong to the individual directors, officers or other

employees who may handle it or otherwise become knowledgeable about it. It is an asset of the Company. For any person to use such information for personal benefit or to disclose it to others outside the Company violates the Company's interests. More particularly, in connection with trading in the Company securities, it is a fraud against members of the investing public and against the Company.

A violation of this policy or federal or state insider trading or tipping laws by any director, officer or employee, or their family members, may subject the director to dismissal proceedings and the officer or employee to disciplinary action by the Company up to and including termination for cause.

Any insider who violates this policy or any federal or state laws governing insider trading or tipping, or knows of any such violation by any other insiders, must report the violation immediately to the Compliance Officer. Upon learning of any such violation, the Compliance Officer, in connection with the Company's legal counsel, will determine whether the Company should release any material nonpublic information, or whether the Company should report the violation to the SEC or other appropriate governmental authority.

B. Who Does the Policy Apply To?

The prohibition against trading on inside information applies to directors, officers and all other employees, and to other people who gain access to that information. Because of their access to confidential information on a regular basis, Company policy subjects its directors and certain employees (the "Window Group" as defined below) to additional restrictions on trading in the Company securities. The restrictions for the Window Group are discussed in Section F below. In addition, directors and certain employees with inside knowledge of material information may be subject to ad hoc restrictions on trading from time to time.

Additionally, the Company has designated those persons listed on Exhibit A attached hereto ("Section 16 Individuals") as the directors and officers who are subject to the reporting provisions and trading restrictions of Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Section 16 Individuals must obtain prior approval of all trades in Company securities from the Insider Trading Compliance Officer in accordance with the procedures set forth in Section H below. The Company will amend Exhibit A from time to time as necessary to reflect the addition, resignation or departure of Section 16 individuals.

The Company has designated those persons listed on Exhibit B attached hereto as Key Employees who, because of their position with the Company and/or their access to material nonpublic information, must obtain the prior approval of all trades in Company securities from the Insider Trading Compliance Officer in accordance with the procedures set forth in Section H below. The Company will amend Exhibit B from time to time as necessary to reflect the addition, resignation or departure of Key Employees.

In addition, a person can be a "temporary insider" if the person enters into a confidential relationship with the Company relating to the conduct of the Company's affairs and, as a result, the person is given access to confidential information or learns of such information in the course of working for or representing the Company. Temporary insiders can include, among others, the

Company's attorneys, accountants, consultants, bank lending officers and the employees of such organizations.

C. Other Companies' Stocks.

The same rules apply to other companies' stocks. Employees and directors who learn material information about suppliers, customers, or competitors through their work at the Company should keep it confidential and not buy or sell stock in such companies until the information becomes public. Employees and directors should not give tips about such stocks.

D. Trading in Options; Hedging.

The insider trading prohibition also applies to trading in exchange traded options, such as put and call options. Options trading is highly speculative and very risky. People who buy options are betting that the stock price will move rapidly. For that reason, when a person trades in options in his or her employer's stock, it will arouse suspicion in the eyes of the SEC that the person was trading on the basis of inside information, particularly where the trading occurs before a Company announcement or major event. It is difficult for an employee or director to prove that he or she did not know about the announcement or event.

If the SEC or the stock exchanges were to notice active options trading by one or more employee(s) or director(s) of the Company prior to an announcement, they would investigate. Such an investigation could be embarrassing to the Company (as well as expensive), and could result in severe penalties and expense for the persons involved. For all of these reasons, the Company prohibits its employees and directors from trading in options on the Company stock. This policy does not pertain to the exercise of stock options or warrants granted by the Company to its employees, which cannot be traded.

In addition, the Company has adopted various policies applicable to the Company's Directors and Executive Officers restricting them from engaging in short sales, equity derivative or offer hedging in relation to their Company stock, whether or not invaluing trading on inside information.

E. Margin Accounts; Pledging.

Securities held in a margin account may be sold by the broker without the customer's consent if the customer fails to meet a margin call. Because such a sale may occur at a time when an employee or a director had material inside information or is otherwise not permitted to trade in Company securities, the Company prohibits employees and directors from purchasing Company securities on margin or holding Company securities in a margin account.

F. In addition, the Company has adopted various policies applicable to the Company's Directors and Executive Officers restricting them from pledging or margining Company stock, whether or not involving trading on inside information. Guidelines.

The following guidelines should be followed in order to ensure compliance with applicable antifraud laws and with the Company's policies:

1. Nondisclosure. Material inside information must not be disclosed to anyone, except to persons within the Company whose positions require them to know it. No one may "tip" or disclose material nonpublic information concerning the Company to any outside person (including, but not limited to family members, analysts, individual investors, and members of the investment community and news media), unless required as part of that person's regular duties for the Company and authorized by the Compliance Officer and/or the Board of Directors. In any instance in which such information is disclosed to outsiders, the Company will take such steps as are necessary to preserve the confidentiality of the information, including requiring the outsider to agree in writing to comply with the terms of this policy and/or to sign a confidentiality agreement. All inquiries from outsiders regarding material nonpublic information about the Company must be forwarded to the Compliance Officer.

No one may give trading advice of any kind about the Company to anyone while possessing material nonpublic information about the Company, except to advise others not to trade if doing so might violate the law or this policy. The Company strongly discourages all directors and officers from giving trading advice concerning the Company to third parties even when the director or officer does not possess material nonpublic information about the Company.

Communications with financial analysts, securities, brokers or dealers, actual or potential investor, actual or potential lenders, member of the press and public, and other persons who may seek information with regard to the Company, its business or its activities, including its dissemination of potentially misleading information. In particular, other persons may attempt to call or write, indicating that they are writing a report or article, are generally interested in the Company or are attempting to verify certain information regarding its business, prospects or industry. Company personnel should not provide in any manner any information, whether favorable or unfavorable, with respect to the Company or its business or activities to any person other than as specifically authorized by these procedures. All inquiries from any persons who may seek information with regard to the Company or its business or activities must be directed to the General Counsel, the CFO or Director of Investor Relations. If the person making the inquiry persists, Company personnel should state that they are not at liberty to discuss that information. Anyone receiving such an inquiry should contact the General Counsel and inform him or her of the name of the person making the inquiry and the nature of the inquiry.

2. Trading in the Company's Securities. No employee or director should place a purchase or sale order, or recommend that another person place a purchase or sale order in the Company's securities, when he or she has knowledge of material information

concerning the Company that has not been disclosed to the public. This includes orders for purchases and sales of stock and convertible securities. The exercise of employee stock options and warrants is not subject to this policy. However, stock that was acquired upon exercise of a stock option or warrant will be treated like any other stock, and may not be sold by an employee who is in possession of material inside information. Employees or directors who possess material inside information should wait until the **start of the second full trading day** after the information has been publicly released before trading.

3. Avoid Speculation. Investing in the Company's Common Stock provides an opportunity to share in the future growth of the Company. But investment in the Company and sharing in the growth of the Company does not mean short range speculation based on fluctuations in the market. Such activities put the personal gain of the employee or director in conflict with the best interests of the Company and its stockholders. Although this policy does not mean that employees or directors may never sell shares, the Company encourages employees and directors to avoid frequent trading in Company stock. Speculating in Company stock is not part of the Company culture, including for purposes of complying with other Company policies.

4. Trading in Other Securities. No employee or director should place a purchase or sale order, or recommend that another person place a purchase or sale order, in the securities of another corporation, if the employee or director learns in the course of his or her employment confidential information about the other corporation that is likely to affect the value of those securities. For example, it would be a violation of the securities laws if an employee or director learned through Company sources that the Company intended to purchase assets from a company, and then bought or sold stock in that other company because of the likely increase or decrease in the value of its securities.

5. Restrictions on the Window Group. The Window Group consists of (i) directors and executive officers of the Company and their secretaries, (ii) officers of the Company with the title Vice President or above and their secretaries and (iii) such other persons as may be designated from time to time and informed of such status by Eric D. Koster, the Company's General Counsel. The Window Group is subject to the following restrictions on trading in Company securities:

- trading is permitted from the close of the second business day following an earnings release with respect to the preceding fiscal period until the close of trading on the twenty-second day of the third month of the current fiscal quarter (the "Window"), subject to the restrictions below;

- all trades are subject to prior review;

- clearance for all trades should be obtained from Eric D. Koster, the Company's General Counsel;

- no trading in Company securities even during applicable trading Windows while in the possession of material inside information. Persons possessing

such information may trade during a trading Window only after the close of trading on the second full trading day following the Company's public release of such material inside information;

- no trading in Company securities outside of the applicable trading windows or during any special blackout periods that the Compliance Officer may designate. No one may disclose to any outside third party that a special blackout period has been designated; and

- the Compliance Officer may, on a case-by-case basis, authorize trading in Company securities outside of the applicable trading Windows (but not during special blackout periods) due to financial hardship or other hardships.

- Avoiding restrictions on trading, as well as the prior approval requirements, may be satisfied by obtaining the approval of the Compliance Officer of a trading plan meeting the requirements of Rule 10b5-1. To be eligible for approval, such a plan must be adopted and approved at a time when a Window is open and the Window Group member does not otherwise possess material inside information. Among other things, to meet the requirements of Rule 10b5-1, a trading plan must: (i) specify the amount of Company securities to be bought or sold and the price at which and the date on which they are to be bough or sold: (ii) include a formula for determining the amount of Company securities to be bought or sold and the price at which and the date on which they are to be bought or sold; or (iii) provide for an unrelated party to determine how, when or whether to effect purchases or sales of Company securities. Once such a trading plan has been approved (a "Rule 10b5-1 Trading Plan"), any transactions effected pursuant thereto will not be subject to window restrictions or prior approval requirements. Any proposed change to a Rule 10b5-1 Trading Plan must also be approved by the Compliance Officer.

6. Trading within the 401(k) Plan. Most transactions under the 401(k) Plan (the "Plan") are not subject to the Section 16(b) short-swing profits rule (described at III.E. below) or the Section 16(a) reporting requirements. An example of an exempt, non-reportable transaction would be a contribution to the Plan, such as, any employee pre-tax or after-tax contributions and any Company match or profit sharing contributions, even if the participant for whose benefit the contributions are made has the right to direct that some or all of the contributions will be invested in the Plan's Company stock fund. Similarly, cash distributions from the Plan's Company stock fund to a participant by reason of the participant's retirement or other termination of employment would be an exempt, non-reportable transaction.

In contrast, discretionary transactions by a participant in the Plan who is a Section 16 Individual are subject to the Section 16(a) reporting requirements. Discretionary transactions include (1) a participant's election to transfer part or all of the participant's

Plan balance into (or out of) the Company stock fund (after such monies are originally contributed to the Plan and invested, when contributed, in the Company stock fund) and (2) any voluntary request by a participant for a cash withdrawal from the Company's stock fund on an occasion other than the participant's retirement or other termination of employment (e.g., a hardship withdrawal request).

Discretionary transactions by a Plan participant who is a Section 16 Individual will be exempt from the Section 16(b) short-swing profits rule only if the participant's election to effect the transaction (e.g., the election to move out of the Company stock fund or the request for a hardship withdrawal) occurs at least six months after the participant's most recent discretionary "opposite-way" purchase or sale election under the Plan. The election by a Plan participant who is a Section 16 Individual to effect a discretionary transaction under the Plan less than six months before or after an opposite-way discretionary transaction under the Plan will be subject to Section 16(b). For instance, if a participant elected to move some of his Plan account balance into the Company stock fund in October after he had elected to move some of his Plan account out of the Company stock fund in August, the transaction would be subject to the Section 16(b) short-swing profits rule as well as to the Section 16(a) reporting requirements. Plan participants who are Section 16 Individuals are urged to consult with Eric D. Koster, the Company's General Counsel, prior to engaging in any Plan transaction that would be treated as a discretionary transaction.

The general prohibition against trading based on inside information (described at II.F.2. above) is equally applicable to Plan transactions. Therefore, discretionary transactions, including changes by a participant in the amount invested in the Company stock fund, while the participant is in possession of material inside information are prohibited. Additionally, Window Group members are prohibited from making changes in Plan designations outside of the applicable trading windows or during any other blackout period, even if the participant is not in possession of material inside information. Plan participants who are Window Group members are urged to consult with Eric D. Koster, the Company's General Counsel, prior to making any changes in Plan designations outside of the applicable trading windows.

No director or executive officer may directly or indirectly purchase, sell or otherwise acquire or transfer, during a pension blackout period, Company securities that he or she acquired in connection with his or her service or employment as a director or executive officer. A "pension blackout period" is a period of more than three consecutive business days during which the ability of 50% or more of the participants in the Plan to make discretionary contributions to or withdrawals from the Plan's Company stock fund is suspended. The Company will provide timely notification of blackout periods to its directors, executive officers and the SEC. The administrator of the Plan is required to give to participants and beneficiaries a notice, at least 30 days before the start of the blackout (with exceptions from among other things, blackout periods due to unforeseeable events), that contains the reasons for the blackouts; a description of rights to be suspended; start and end dates; and advice to participants to evaluate investments based on their inability to direct or diversify assets during the blackout period. If the administrator does not provide such notice, it could become subject to penalties of up to

$100 per day, per participant. When there is a blackout period for the Plan, Section 16 Individuals must be made aware that they may not trade in Company securities during the blackout.

G. Insider Trading Compliance Officer.

The Company has designated Eric D. Koster Koster, Vice President, General Counsel and Secretary as its Insider Trading Compliance Officer (the "Compliance Officer"). The Compliance Officer will review and either approve or prohibit all proposed trades by Section 16 Individuals and Key Employees in accordance with the procedures set forth in Section H below.

In addition to the trading approval duties described in Section H below, the duties of the Compliance Officer will include the following:

1. Administering this policy and monitoring and enforcing compliance with all policy provisions and procedures.

2. Responding to all inquiries relating to this policy and its procedures.

3. Designating and announcing special trading blackout periods during which no Window Group members may trade in Company securities.

4. Providing copies of this policy and other appropriate materials to all current and new directors, officers and employees, and such other persons who the Compliance Officer determines have access to material nonpublic information concerning the Company.

5. Administering, monitoring and enforcing compliance with all federal and state insider trading laws and regulations, including without limitation Sections 10(b), 16, 20A and 21A of the Exchange Act and the rules and regulations promulgated thereunder, and Rule 144 under the Securities Act of 1933, as amended (the "Securities Act"); and assisting in the preparation and filing of all required SEC reports relating to insider trading in Company securities, including without limitation Forms 3, 4, 5 and 144 and Schedules 13D and 13G.

6. Revising the policy as necessary to reflect changes in federal or state insider trading laws and regulations.

7. Maintaining as Company records originals or copies of all documents required by the provisions of this policy or the procedures set forth herein, and copies of all required SEC reports relating to insider trading, including without limitation Forms 3, 4, 5 and 144 and Schedules 13D and 13G.

8. Maintaining the accuracy of the list of Section 16 Individuals and Key Employees as attached on Exhibits A and B, and updating them periodically as necessary to reflect additions to or deletions from each category of individuals.

9. Approving a Rule 10b5-1 Trading Plan or any proposed change thereto.

The Compliance Officer may designate one or more individuals who may perform the Compliance Officer's duties. Similarly, the Compliance Officer may not trade in Company securities unless the trade has been approved by the President, Chief Financial Officer or Vice President of Finance, in accordance with the procedures set forth below.

H. Procedures for Approving Trades by Section 16 Individuals, Key Employees and Hardship Cases.

1. Section 16 Individual/Key Employee Trades. No Section 16 Individual or Key Employee may trade in Company securities until

a. the person trading has notified the Compliance Officer in writing of the amount and nature of the proposed trade(s),

b. the person trading has certified to the Compliance Officer in writing no earlier than two business days prior to the proposed trade that (i) he or she is not in possession of material nonpublic information concerning the Company and (ii) the proposed trade(s) do not violate the trading restrictions of Section 16 of the Exchange Act or Rule 144 of the Securities Act, and

c. the Compliance Officer has approved the trade(s), and has certified the approval in writing.

2. Hardship Trades. The Compliance Officer may, on a case-by-case basis, authorize trading in Company securities outside of the applicable trading windows due to financial hardship or other hardships only after

a. the person trading has notified the Compliance Officer in writing of the circumstances of the hardship and the amount and nature of the proposed trade(s),

b. the person trading has certified to the Compliance Officer in writing no earlier than two business days prior to the proposed trades(s) that he or she is not in possession of material nonpublic information concerning the Company, and

c. the Compliance Officer has approved the trade(s) and has certified the approval in writing. Only the Compliance Officer's approval is necessary for hardship trades by insiders who are not Section 16 Individuals or Key Employees.

3. No Obligation to Approve Trades. The existence of the foregoing approval procedures does not in any way obligate the Compliance Officer to approve any trades requested by Section 16 Individuals, Key Employees or hardship applicants. The Compliance Officer may reject any trading requests at his/her sole discretion.

II.

OTHER LIMITATIONS ON SECURITIES TRANSACTIONS

A. Public Resales - Rule 144.

The Securities Act requires every person who offers or sells a security to register such transaction with the SEC unless an exemption from registration is available. Rule 144 under the Securities Act is the exemption typically relied upon (i) for public resales by any person of "restricted securities" (i.e., securities acquired in a private offering) and (ii) for public resales by officers, directors and other control persons of a company (known as "affiliates") of any of the Company's securities, whether restricted or unrestricted.

Rule 144 contains five conditions, although the applicability of some of these conditions will depend on the circumstances of the sale:

(1) Current Public Information. Current information about the Company must be publicly available at the time of sale. The Company's periodic reports filed with the SEC ordinarily satisfy this requirement.

(2) Holding Period. Restricted securities must be held and fully paid for by the seller for a period of one year prior to the sale. The holding period requirement, however, does not apply to securities held by affiliates that were acquired either in the open market or in a public offering of securities registered under the Securities Act. If the seller acquired the securities from someone other than the Company or an affiliate of the Company, the holding period of the person from whom the seller acquired such securities can be "tacked" to the seller's holding period in determining if the one-year requirement has been satisfied.

(3) Volume Limitations. The amount of securities which can be sold during any three month period cannot exceed the greater of (i) one percent of the outstanding shares of the class or (ii) the average weekly reported trading volume for shares of the class during the four calendar weeks preceding the filing of the notice of sale referred to below.

(4) Manner of Sale. The securities must be sold in unsolicited brokers' transactions or directly to a market-maker.

(5) Notice of Sale. The seller must file a notice of the proposed sale with the SEC at the time the order to sell is placed with the broker, unless the amount to be sold neither exceeds 500 shares nor involves sale proceeds greater than $10,000. See "Filing Requirements."

The foregoing conditions do not have to be complied with by holders of restricted securities who have held (and fully paid for) their restricted shares for at least two years and who were not affiliates during the three months preceding the sale under the rule.

Bona fide gifts are not deemed to involve sales of stock for purposes of Rule 144, so they can be made at any time without limitation on the amount of the gift. Donors who receive restricted securities from an affiliate generally will be subject to the same restrictions under Rule 144 that would have applied to the donor for a period of up to one year following the gift, depending on the circumstances.

B. Private Resales.

Directors and officers also may sell securities in a private transaction without registration. Although there is no statutory provision or SEC rule expressly dealing with private sales, the general view is that such sales can safely be made by affiliates if the party acquiring the securities understands he is acquiring restricted securities that must be held for at least one year before the securities will be eligible for resale to the public under Rule 144. Private resales raise certain documentation and other issues and must be reviewed in advance by Eric D. Koster, the Company's General Counsel.

C. Restrictions on Purchases of Company Securities.

In order to prevent market manipulation, the SEC has adopted Rules 10b-6 and 10b-18 under the Exchange Act. Rule 10b-6 generally prohibits the Company or any of its affiliates from buying Company stock in the open market during certain periods while a public offering is taking place. Rule 10b-18 sets forth guidelines for purchases of Company stock by the Company or its affiliates while a stock buyback program is occurring. While the guidelines are optional, compliance with them provides immunity from a stock manipulation charge. You should consult with Eric D. Koster, the Company's General Counsel, if you desire to make purchases of Company stock during any period that the Company is making a public offering or buying stock from the public.

D. Disgorgement of Profits on Short-Swing Transactions — Section 16(b).

Section 16 of the Exchange Act applies to directors and officers of the Company and to any person owning more than ten percent of any registered class of the Company's equity securities. The section is intended to deter such persons (collectively referred to below as "insiders") from misusing confidential information about their companies for personal trading gain. Section 16(a) requires insiders to publicly disclose any changes in their beneficial ownership of the Company's equity securities (see "Filing Requirements" below). Section 16(b) requires insiders to disgorge to the Company any "profit" resulting from "short-swing" trades, as discussed more fully below. Section 16(c) effectively prohibits insiders from engaging in short sales (see "Prohibition of Short Sales," below).

Under Section 16(b), any profit realized by an insider on a "short-swing" transaction (i.e., a purchase and sale, or sale and purchase, of the Company's equity securities within a period of

less than six months) must be disgorged to the Company upon demand by the Company or a stockholder acting on its behalf. By law, the Company cannot waive or release any claim it may have under Section 16(b), or enter into an enforceable agreement to provide indemnification for amounts recovered under the section.

Liability under Section 16(b) is imposed in a mechanical fashion without regard to whether the insider intended to violate the section. Good faith, therefore, is not a defense. All that is necessary for a successful claim is to show that the insider realized "profits" on a short-swing transaction; however, profit, for this purpose, is calculated as the difference between the sale price and the purchase price in the matching transactions, and may be unrelated to the actual gain on the shares sold. When computing recoverable profits on multiple purchases and sales within a six month period, the courts maximize the recovery by matching the lowest purchase price with the highest sale price, the next lowest purchase price with the next highest sale price, and so on. The use of this method makes it possible for an insider to sustain a net loss on a series of transactions while having recoverable profits. The terms "purchase" and "sale" are construed under Section 16(b) to cover a broad range of transactions, including acquisitions and dispositions in tender offers and certain corporate reorganizations. Moreover, purchases and sales by an insider may be matched with transactions by any person (such as certain family members) whose securities are deemed to be beneficially owned by the insider. Please note that the exercise of stock options does not constitute a "purchase" of the Company's equity securities, but the sale of the shares of stock acquired upon such exercise constitutes a "sale"

The Section 16 rules are complicated and present ample opportunity for inadvertent error. To avoid unnecessary costs and potential embarrassment for insiders and the Company, officers and directors are required to consult with Eric D. Koster, the Company's General Counsel, prior to engaging in any transaction or other transfer of Company equity securities regarding the potential applicability of Section 16(b).

E. Prohibition of Short Sales.

Under Section 16(c), insiders are prohibited from effecting "short sales" of the Company's equity securities. A "short sale" is one involving securities which the seller does not own at the time of sale, or, if owned, are not delivered within 20 days after the sale or deposited in the mail or other usual channels of transportation within five days after the sale. Wholly apart from Section 16(c), the Company prohibits directors and employees from selling the Company's stock short pursuant to other policies of the Company. This type of activity is inherently speculative in nature and is contrary to the best interests of the Company and its shareholders.

F. Filing Requirements.

1. Forms 3, 4 and 5. Under Section 16(a) of the Exchange Act, insiders must file with the SEC and any stock exchange on which the Company's equity securities are quoted (i.e., the New York Stock Exchange) public reports disclosing their holdings of and transactions involving, the Company's equity securities. Copies of these reports must also be submitted to the Company and posted by the Company for at least one (1) year on the Company's website. An initial report on Form 3 must be filed by every insider within 10 days after election or appointment disclosing all equity securities of the

Company beneficially owned by the reporting person on the date he became an insider. Even if no securities were owned on that date, the insider must file a report. Any subsequent change in the nature or amount of beneficial ownership by the insider must be reported on Form 4 and filed within two (2) business days after the change occurred. Certain exempt transactions may be reported on Form 5 within 45 days after the end of the fiscal year. All changes in the amount or the form (i.e., direct or indirect) of beneficial ownership (not just purchases and sales) must be reported. Thus, such transactions as gifts and stock dividends ordinarily are reportable. Moreover, an officer or director who has ceased to be an officer or director must report any transactions after termination which occurred within six months of a transaction that occurred while the person was an insider.

The reports under Section 16(a) are intended to cover all securities beneficially owned either directly by the insider or indirectly through others. An insider is considered the direct owner of all Company equity securities held in his or her own name or held jointly with others. An insider is considered the indirect owner of any securities from which he obtains benefits substantially equivalent to those of ownership. Thus, equity securities of the Company beneficially owned through partnerships, corporations, trusts, estates, and by certain family members generally are subject to reporting. Absent countervailing facts, an insider is presumed to be the beneficial owner of securities held by his or her spouse and other family members sharing the same home. But an insider is free to disclaim beneficial ownership of these or any other securities being reported if the insider believes there is a reasonable basis for doing so.

It is important that reports under Section 16(a) be prepared properly and filed on a timely basis. The reports must be filed electronically and received at the SEC by the filing deadline. There are limited provisions for an extension of the filing deadlines, and the SEC can take enforcement action, including penalties of up to $5,000 for each reporting violation against insiders who do not comply fully with the filing requirements. In addition, the Company is required to disclose in its annual proxy statement the names of insiders who failed to file Section 16(a) reports timely during the fiscal year, along with the particulars of such instances of noncompliance. Accordingly, the Company strongly urges all directors and officers to notify Eric D. Koster, the Company's General Counsel, prior to any transactions or changes in their or their family members' beneficial ownership involving Company stock and to avail themselves of the assistance available from the Company's outside Securities counsel in satisfying the reporting requirements.

2. Schedule 13D and 13G. Section 13(d) of the Exchange Act requires the filing of a statement on Schedule 13G by any person or group which acquires beneficial ownership of more than five percent of a class of equity securities registered under the Exchange Act. If the person or group acquires twenty percent or more of a class of equity securities or intends to change or influence the control of the Company, a statement on Schedule 13D must be filed. The threshold for reporting is met if the stock owned, when coupled with the amount of stock subject to options exercisable within 60 days, exceeds the five percent or twenty percent limit, as applicable.

A report on Schedule 13D or 13G is required to be filed with the SEC and submitted to the Company within ten days after the reporting threshold is reached. If a material change occurs in the facts set forth in the Schedule 13D or 13G, such as an increase or decrease of one percent or more in the percentage of stock beneficially owned, an amendment disclosing the change must be filed promptly. A decrease in beneficial ownership to less than five percent is per se material and must be reported.

A person is deemed the beneficial owner of securities for purposes of Section 13(d) if such person has or shares voting power (i.e., the power to vote or direct the voting of the securities) or dispositive power (i.e., the power to sell or direct the sale of the securities). As is true under Section 16(a) of the Exchange Act, a person filing a Schedule 13D or 13G may disclaim beneficial ownership of any securities attributed to him or her if he or she believes there is a reasonable basis for doing so.

3. Form 144. As described above under the discussion of Rule 144, a seller relying on Rule 144 must file a notice of proposed sale with the SEC at the time the order to sell is placed with the broker unless (x) the amount to be sold neither exceeds 500 shares nor involves sale proceeds greater than $10,000 or (y) the seller is not at the time of the sale, and has not been for the three months preceding such date, an affiliate of the Company and, if the securities to be sold are restricted securities, such restricted securities have been held (and fully paid for) for at least two years.

Exhibit A

Exhibit A to Statement of Policy Concerning Trading in the Company's Securities

Individuals subject to reporting provisions and trading restrictions of Section 16 of the Securities and Exchange Act of 1934, as amended.

Directors of the Board

Named Executive Officers and other officers as deemed appropriate by the Company

Exhibit B

Exhibit B to Statement of Policy Concerning Trading in the Company's Securities

Individuals subject to reporting provisions and trading restrictions of Section 16 of the Securities and Exchange Act of 1934, as amended.

Key Employees of the Company as deemed appropriate by the Company

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