

**TUESDAY MORNING CORPORATION**  
**RECONCILIATION OF NON-GAAP FINANCIAL MEASURES**  
**(Unaudited)**

**GAAP Selling, general and administrative expenses to Non-GAAP Adjusted Selling, general and administrative expenses:**

The following table reconciles selling, general, and administrative expenses, the most directly comparable GAAP financial measure, to adjusted selling, general, and administrative expenses, a non-GAAP financial measure:

*(in thousands)*

	<i>Three Months Ended</i>	
	<i>September 30,</i>	
	<u>2014</u>	<u>2013</u>
Selling, general, and administrative expenses (GAAP)	\$ 77,689	\$ 75,894
<b>Non-GAAP adjustments:</b>		
Compensation	—	(1,554)
Legal, consulting, and recruiting	—	(839)
Adjusted Selling, general, and administrative expenses (non-GAAP)	<u>\$ 77,689</u>	<u>\$ 73,501</u>

**GAAP Operating Loss to Non-GAAP Adjusted Operating Loss:**

The following table reconciles operating loss, the most directly comparable GAAP financial measure, to adjusted operating loss, a non-GAAP financial measure:

*(in thousands)*

	<i>Three Months Ended</i>	
	<i>September 30,</i>	
	<u>2014</u>	<u>2013</u>
Operating loss (GAAP)	\$ (5,755)	\$ (12,467)
<b>Non-GAAP adjustments:</b>		
<b>Adjustments to selling, general and administrative expenses:</b>		
Compensation	—	1,554
Legal, consulting, and recruiting	—	839
Adjusted operating loss (non-GAAP)	<u>\$ (5,755)</u>	<u>\$ (10,074)</u>

## **GAAP Net Loss to Non-GAAP Adjusted Net Loss:**

The following table reconciles net loss from continuing operations, the most directly comparable GAAP financial measure, to adjusted net loss from continuing operations, a non-GAAP financial measure:

*(in thousands)*

	<i>Three Months Ended September 30,</i>	
	<u>2014</u>	<u>2013</u>
Net loss (GAAP)	<u>\$ (6,230)</u>	<u>\$ (12,009)</u>
<b>Non-GAAP adjustments:</b>		
Compensation, net of tax <sup>(1)</sup>	—	1,918
Legal, consulting, and recruiting, net of tax <sup>(1)</sup>	—	1,029
Deferred tax asset valuation allowance	—	(895)
Adjusted net loss (non-GAAP)	<u>\$ (6,230)</u>	<u>\$ (9,957)</u>

- (1) The effective tax rate utilized in this non-GAAP adjusted net loss reconciliation is (1.2%) for the three months ended September 30, 2014 and (23.2%) for the three months ended September 30, 2013. These rates are inclusive of a deferred tax asset valuation allowance of \$14.3 million as of September 30, 2014 and \$15.0 million as of September 30, 2013.

## **GAAP Diluted Loss Per Share to Non-GAAP Adjusted Diluted Loss Per Share:**

The following table reconciles diluted loss per share from continuing operations, the most directly comparable GAAP financial measure, to adjusted diluted loss per share from continuing operations, a non-GAAP financial measure:

	<i>Three Months Ended</i>	
	<i>September 30,</i>	
	<u>2014</u>	<u>2013</u>
Diluted loss per share (GAAP)	\$ (0.14)	\$ (0.28)
<b>Non-GAAP adjustments:</b>		
Compensation, net of tax <sup>(1)</sup>	—	0.05
Legal, consulting, and recruiting, net of tax <sup>(1)</sup>	—	0.02
Deferred tax asset valuation allowance	—	(0.02)
Adjusted diluted loss per share (non-GAAP)	<u>\$ (0.14)</u>	<u>\$ (0.23)</u>

- (1) The effective tax rate utilized in this non-GAAP adjusted diluted loss per share reconciliation is (1.2%) for the three months ended September 30, 2014 and (23.2%) for the three months ended September 30, 2013. These rates are inclusive of a deferred tax asset valuation allowance of \$14.3 million as of September 30, 2014 and \$15.0 million as of September 30, 2013.

## **RESULTS OF OPERATIONS**

The following tables set forth certain financial information from our consolidated statements of operations for the first quarter ended September 30, 2014 and the corresponding period in fiscal 2014. In addition to our reported results, we have also provided adjusted (non-GAAP) financial information to provide readers with additional information comparing our core results between the first quarter ended September 30, 2014 and the corresponding period in fiscal 2014.

**Tuesday Morning Corporation**  
**Supplemental Schedules**  
**GAAP and Non-GAAP Adjusted Results**

(\$ in thousands)

<i>Q1 Fiscal 2015</i>						
<i>Adjustments*</i>						
	GAAP Net Loss	Compensation	All Other	Total	Adjusted Non- GAAP Net Loss	% of Sales
Net Sales	\$ 202,208				\$ 202,208	
Cost of Sales	\$ 130,274				\$ 130,274	64.4%
Gross Profit	\$ 71,934				\$ 71,934	35.6%
Selling, General & Administrative Expenses	\$ 77,689				\$ 77,689	38.4%
Operating Loss	\$ (5,755)				\$ (5,755)	-2.8%
Other Expense	\$ 399				\$ 399	0.2%
Loss Before Tax	\$ (6,154)				\$ (6,154)	-3.0%
Income Tax Provision	\$ 76				\$ 76	0.0%
Net Loss	\$ (6,230)				\$ (6,230)	-3.1%

<i>Q1 Fiscal 2014</i>						
<i>Adjustments*</i>						
	GAAP Net Loss	Compensation	All Other	Total	Adjusted Non- GAAP Net Loss	% of Sales
Net Sales	\$ 183,678				\$ 183,678	
Cost of Sales	\$ 120,251				\$ 120,251	65.5%
Gross Profit	\$ 63,427				\$ 63,427	34.5%
Selling, General & Administrative Expenses	\$ 75,894	\$ (1,554)	\$ (839)	\$ (2,393)	\$ 73,501	40.0%
Operating Loss	\$ (12,467)	\$ 1,554	\$ 839	\$ 2,393	\$ (10,074)	-5.5%
Other (Income)/Expense	\$ 291				\$ 291	0.2%
Income Before Tax	\$ (12,758)	\$ 1,554	\$ 839	\$ 2,393	\$ (10,365)	-5.6%
Income Tax Provision/(Benefit)	\$ (749)	\$ (364)	\$ 705	\$ 341	\$ (408)	-0.2%
Net Income/(Loss)	\$ (12,009)	\$ 1,918	\$ 134	\$ 2,052	\$ (9,957)	-5.4%

**\*Adjustment Notes:**

**Compensation** – Severance, stock compensation, sign on bonuses related to senior management restructuring program.

**All Other** – Legal costs related to former CEO lawsuit and recognition of Deferred Tax Allowance.