UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE QUARTERLY PERIOD ENDED March 31, 2018

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE TRANSITION PERIOD FROM TO

Commission File Number 0-19658

TUESDAY MORNING CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Delaware	**75-2398532**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification Number)**

6250 LBJ Freeway
Dallas, Texas 75240
(Address of principal executive offices) (Zip code)

(972) 387-3562
(Registrant's telephone number, including area code)

Not applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	**Outstanding at May 1, 2018**
Common Stock, par value $0.01 per share	45,852,057

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

Tuesday Morning Corporation
Consolidated Balance Sheets
March 31, 2018 (unaudited) and June 30, 2017
(In thousands, except share and per share data)

	March 31, 2018	June 30, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 12,277	$ 6,263
Inventories	244,990	221,906
Prepaid expenses	6,242	6,367
Other current assets	1,245	1,982
Total Current Assets	264,754	236,518
Property and equipment, net	122,115	118,397
Deferred financing costs	750	986
Other assets	2,781	2,252
Total Assets	$ 390,400	$ 358,153
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 86,662	$ 67,326
Accrued liabilities	43,789	44,260
Income taxes payable	77	11
Total Current Liabilities	130,528	111,597
Borrowings under revolving credit facility	44,400	30,500
Deferred rent	21,645	13,883
Asset retirement obligation — non-current	3,100	2,307
Other liabilities — non-current	835	1,027
Total Liabilities	200,508	159,314
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, par value $0.01 per share, authorized 10,000,000 shares; none issued or outstanding	—	—
Common stock, par value $0.01 per share, authorized 100,000,000 shares; 47,707,544 shares issued and 45,923,883 shares outstanding at March 31, 2018 and 46,904,295 shares issued and 45,120,634 shares outstanding at June 30, 2017	469	469
Additional paid-in capital	237,299	234,604
Retained deficit	(41,064)	(29,422)
Less: 1,783,661 common shares in treasury, at cost, at March 31, 2018 and 1,783,661 common shares in treasury, at cost, at June 30, 2017	(6,812)	(6,812)
Total Stockholders' Equity	189,892	198,839
Total Liabilities and Stockholders' Equity	$ 390,400	$ 358,153

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Tuesday Morning Corporation
Consolidated Statements of Operations (unaudited)
(In thousands, except per share data)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2018	2017	2018	2017
Net sales	$ 223,296	$ 203,001	$ 775,860	$ 743,023
Cost of sales	142,993	135,845	511,922	492,546
Gross profit	80,303	67,156	263,938	250,477
Selling, general and administrative expenses	88,092	81,834	275,445	265,628
Operating loss	(7,789)	(14,678)	(11,507)	(15,151)
Other income/(expense):				
Interest expense	(493)	(377)	(1,473)	(1,061)
Other income, net	179	360	907	1,104
Other income/(expense), total	(314)	(17)	(566)	43
Loss before income taxes	(8,103)	(14,695)	(12,073)	(15,108)
Income tax provision/(benefit)	(23)	101	(431)	113
Net loss	$ (8,080)	$ (14,796)	$ (11,642)	$ (15,221)
Earnings Per Share				
Net loss per common share:				
Basic	$ (0.18)	$ (0.34)	$ (0.26)	$ (0.35)
Diluted	$ (0.18)	$ (0.34)	$ (0.26)	$ (0.35)
Weighted average number of common shares:				
Basic	44,365	43,998	44,236	43,915
Diluted	44,365	43,998	44,236	43,915
Dividends per common share	$ —	$ —	$ —	$ —

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Tuesday Morning Corporation
Consolidated Statements of Cash Flows (unaudited)
(In thousands)

	Nine Months Ended March 31,	
	2018	**2017**
Net cash flows from operating activities:		
Net loss	$ (11,642)	$ (15,221)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	19,087	15,635
Amortization of financing fees	236	247
(Gain)/loss on disposal of assets	(69)	1
Gain on sale-leaseback	(371)	(555)
Share-based compensation	2,729	3,224
Deferred income taxes	(571)	—
Construction allowances from landlords	6,688	1,419
Change in operating assets and liabilities:		
Inventories	(23,122)	(25,970)
Prepaid and other assets	883	(427)
Accounts payable	19,396	(12,841)
Accrued liabilities	2,199	937
Deferred rent	1,921	2,666
Income taxes payable	71	(338)
Other liabilities — non-current	367	105
Net cash provided by/(used in) operating activities	17,802	(31,118)
Net cash flows from investing activities:		
Capital expenditures	(25,552)	(27,359)
Purchase of intellectual property	(30)	(4)
Proceeds from sale of assets	69	93
Net cash used in investing activities	(25,513)	(27,270)
Net cash flows from financing activities:		
Proceeds under revolving credit facility	153,900	152,200
Repayments under revolving credit facility	(140,000)	(111,200)
Change in cash overdraft	(60)	7,000
Purchase of treasury stock	—	(23)
Proceeds from the exercise of employee stock options	4	8
Payments on capital leases	(119)	—
Net cash provided by financing activities	13,725	47,985
Net increase/(decrease) in cash and cash equivalents	6,014	(10,403)
Cash and cash equivalents, beginning of period	6,263	14,150
Cash and cash equivalents, end of period	$ 12,277	$ 3,747

The accompanying notes are an integral part of these unaudited consolidated financial statements.

The terms "Tuesday Morning," the "Company," "we," "us" and "our" as used in this Quarterly Report on Form 10-Q refer to Tuesday Morning Corporation and its subsidiaries.

1. Basis of presentation — The unaudited interim consolidated financial statements included herein have been prepared by us pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States ("GAAP") have been condensed or omitted pursuant to such rules and regulations. These financial statements include all adjustments, consisting only of those of a normal recurring nature, which, in the opinion of management, are necessary to present fairly the results of the interim periods presented and should be read in conjunction with the audited consolidated financial statements and notes thereto in our Annual Report on Form 10-K for the fiscal year ended June 30, 2017. The consolidated balance sheet at June 30, 2017 has been derived from the audited consolidated financial statements at that date, but does not include all of the information and notes required by GAAP for complete financial statements. For further information, refer to the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2017. The results of operations for the three and nine month periods ended March 31, 2018 are not necessarily indicative of the results to be expected for the full fiscal year ending June 30, 2018, which we refer to as fiscal 2018.

We do not present a consolidated statement of comprehensive income as there are no other comprehensive income items in either the current or prior fiscal periods.

The preparation of unaudited interim consolidated financial statements, in conformity with GAAP, requires us to make assumptions and use estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates relate to: inventory valuation under the retail method and estimation of reserves and valuation allowances specifically related to insurance, income taxes and litigation. Actual results could differ materially from these estimates. Our fiscal year ends on June 30 and we operate our business as a single operating segment.

2. Share-based incentive plans — **Stock Option Awards.** We have established the Tuesday Morning Corporation 2004 Long-Term Equity Incentive Plan, as amended (the "2004 Plan"), the Tuesday Morning Corporation 2008 Long-Term Equity Incentive Plan (the "2008 Plan") and the Tuesday Morning Corporation 2014 Long-Term Incentive Plan, as amended (the "2014 Plan"), which allow for the granting of stock options to directors, officers and key employees of the Company, and certain other key individuals who perform services for us and our subsidiaries. Equity awards may no longer be granted under the 2004 Plan or the 2008 Plan, but equity awards granted under the 2004 Plan and the 2008 Plan are still outstanding.

On November 16, 2016, our stockholders approved amendments to the 2014 Plan to increase the number of shares of the Company's common stock available for issuance under the 2014 Plan by 2,500,000 shares and to make additional amendments to the 2014 Plan, including (i) reducing the percentage of shares exempt from the minimum vesting requirements under the 2014 Plan, (ii) adding a clawback policy, (iii) generally eliminating the discretion of the Board of Directors to accelerate the vesting of outstanding and unvested awards upon a change of control and (iv) providing that certain shares surrendered in payment of the exercise price of awards or withheld for tax withholding would count against the shares available under the 2014 Plan.

Stock options were awarded with a strike price at a fair market value equal to the average of the high and low trading prices of our common stock on the date of grant under the 2004 Plan. Stock options were awarded with a strike price at a fair market value equal to the closing price of our common stock on the date of the grant under the 2008 Plan and the 2014 Plan.

Options granted under the 2004 Plan typically vest over periods of one to five years and expire ten years from the date of grant, while options granted under the 2008 Plan and the 2014 Plan typically vest over periods of one to four years and expire ten years from the date of grant. Options granted under the 2004 Plan, the 2008 Plan and the 2014 Plan may have certain performance requirements in addition to service terms. If the performance conditions are not satisfied, the options are forfeited. The exercise prices of stock options outstanding on March 31, 2018, range between $1.24 per share and $20.91 per share. All shares available under the 2004 Plan have been granted. The 2004 Plan and the 2008 Plan terminated as to new awards as of May 17, 2014 and September 16, 2014, respectively. There were 2.9 million shares available for grant under the 2014 Plan at March 31, 2018.

Restricted Stock Awards—The 2004 Plan, the 2008 Plan, and the 2014 Plan authorize the grant of restricted stock awards to directors, officers, key employees and certain other key individuals who perform services for us and our subsidiaries. Equity awards may no longer be granted under the 2004 Plan and the 2008 Plan, but restricted stock awards granted under the 2008 Plan are still outstanding. Restricted stock awards are not transferable, but bear certain rights of common stock ownership including voting and dividend rights. Shares are valued at the fair market value of our common stock at the date of award. Shares may be subject to certain performance requirements. If the performance requirements are not met, the restricted shares are forfeited. Under the 2008 Plan and

the 2014 Plan, as of March 31, 2018, there were 1,510,757 shares of restricted stock outstanding with award vesting periods, both performance-based and service-based, of one to four years and a weighted average grant date fair value of $4.01 per share.

Performance-Based Restricted Stock Awards and Performance-Based Stock Option Awards. As of March 31, 2018 there were 1,562,867 unvested performance-based restricted stock awards and performance-based stock options outstanding under the 2014 Plan.

Share-based Compensation Costs. Share-based compensation costs were recognized as follows (in thousands):

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2018	2017	2018	2017
Amortization of share-based compensation during the period	$ 860	$ 919	$ 2,691	$ 3,248
Amounts capitalized in ending inventory	(318)	(168)	(1,041)	(1,166)
Amounts recognized and charged to cost of sales	242	157	1,079	1,142
Amounts charged against income for the period before tax	$ 784	$ 908	$ 2,729	$ 3,224

3. Commitments and contingencies — We are involved in legal and governmental proceedings as part of the normal course of our business. Reserves have been established when a loss is considered probable and are based on management's best estimates of our potential liability in these matters. These estimates have been developed in consultation with internal and external counsel and are based on a combination of litigation and settlement strategies. Management believes that such litigation and claims will be resolved without material effect on our financial position or results of operations.

The Company is a defendant in a purported class action lawsuit, *Jerry Castillo v. Tuesday Morning Inc*., which was filed on December 28, 2017 in the United States District Court, Middle District of Florida. The case is brought under the Fair Labor Standards Act and includes allegations that the Company violated various wage and hour labor laws. Relief is sought on behalf of current and former Company employees. The lawsuit seeks to recover damages, penalties and attorneys' fees as a result of the alleged violations. We are investigating the underlying allegations and intend to vigorously defend our position. We cannot reasonably estimate the potential loss or range of loss, if any, for the lawsuit.

The Company is also a defendant in a purported class action lawsuit*, Hector Velarde, on behalf of himself and all other similar situated, Pltf. vs. Tuesday Morning, Inc*., which was filed on February 26, 2018 in state court in California, and is currently pending in the United States District Court, Central District of California. The case is brought under the Unruh Civil Rights Act, California Code § 51 ci seq. ("Unruh Act"), the California Disabled persons Act, California Civil Code § 54 et seq. ("CDPA"), and Cal. Civ. Code § 55 et seq. and includes allegations that the Company violated various public access laws. The lawsuit seeks to recover damages, penalties and attorneys' fees as a result of the alleged violations. We are investigating the underlying allegations and intend to vigorously defend our position. We cannot reasonably estimate the potential loss or range of loss, if any, for the lawsuit.

4. Earnings per common share — The following table sets forth the computation of basic and diluted income/(loss) per common share (in thousands, except per share amounts):

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2018	2017	2018	2017
Net loss	$ (8,080)	$ (14,796)	$ (11,642)	$ (15,221)
Less: Income to participating securities	—	—	—	—
Net loss attributable to common shares	$ (8,080)	$ (14,796)	$ (11,642)	$ (15,221)
Weighted average number of common shares outstanding basic	44,365	43,998	44,236	43,915
Effect of dilutive stock equivalents	—	—	—	—
Weighted average number of common shares outstanding diluted	44,365	43,998	44,236	43,915
Net loss per common share-basic	$ (0.18)	$ (0.34)	$ (0.26)	$ (0.35)
Net loss per common share-diluted	$ (0.18)	$ (0.34)	$ (0.26)	$ (0.35)

For the quarters and year to date periods ended March 31, 2018 and March 31, 2017, all options representing the rights to purchase shares, respectively, were not included in the dilutive income per share calculation, because the assumed exercise of such options would have been anti-dilutive.

5. Revolving credit facility — We have a credit agreement providing for an asset-based, five-year senior secured revolving credit facility in the amount of up to $180.0 million which matures on August 18, 2020 (the "Revolving Credit Facility"). The availability of funds under the Revolving Credit Facility is limited to the lesser of a calculated borrowing base and the lenders' aggregate commitments under the Revolving Credit Facility. Our indebtedness under the Revolving Credit Facility is secured by a lien on substantially all of our assets. The Revolving Credit Facility contains certain restrictive covenants, which affect, among others, our ability to incur liens or incur additional indebtedness, change the nature of our business, sell assets or merge or consolidate with any other entity, or make investments or acquisitions unless they meet certain requirements. The Revolving Credit Facility requires that we satisfy a fixed charge coverage ratio at any time that our availability is less than the greater of 10% of our calculated borrowing base or $12.5 million. Our Revolving Credit Facility may, in some instances, limit our ability to pay cash dividends and repurchase our common stock. In order for the borrower under the Revolving Credit Facility, our subsidiary, to make a restricted payment to us for the payment of a dividend or a repurchase of shares, we must, among other things, maintain availability of 20% of the lesser of our calculated borrowing base or our lenders' aggregate commitments under the Revolving Credit Facility on a pro forma basis for a specified period prior to and immediately following the restricted payment. As of March 31, 2018, we were in compliance with all of the Revolving Credit Facility covenants.

At March 31, 2018, we had $44.4 million outstanding under the Revolving Credit Facility, $8.5 million of outstanding letters of credit and availability of $67.0 million. Letters of credit under the Revolving Credit Facility are primarily for self-insurance purposes. We incur commitment fees of up to 0.25% on the unused portion of the Revolving Credit Facility, payable quarterly. Any borrowing under the Revolving Credit Facility incurs interest at LIBOR or the prime rate, plus an applicable margin, at our election (except with respect to swing loans, which incur interest solely at the prime rate plus the applicable margin), subject to a floor of one month LIBOR plus an applicable margin in the case of loans based on the prime rate. Interest expense for the third quarter of the current fiscal year from the Revolving Credit Facility of $0.5 million was comprised of commitment fees of $0.1 million, interest expense of $0.3 million and the amortization of financing fees of $0.1 million. Interest expense for the third quarter of the prior fiscal year from the Revolving Credit Facility of $0.4 million was comprised of commitment fees of $0.1 million, interest expense of $0.2 million and the amortization of financing fees of $0.1 million. Interest expense for the nine months ended March 31, 2018 of $1.5 million was comprised of commitment fees of $0.4 million, interest expense of $0.8 million and the amortization of financing fees of $0.3 million. Interest expense for the nine months ended March 31, 2017 of $1.1 million was comprised of commitment fees of $0.4 million, interest expense of $0.4 million and the amortization of financing fees of $0.3 million.

The fair value of the Company's debt approximated its carrying amount as of March 31, 2018.

6. Depreciation — Accumulated depreciation of owned equipment and property at March 31, 2018 and June 30, 2017 was $152.3 million and $138.3 million, respectively.

7. Income taxes — The Company or one of its subsidiaries files income tax returns in the U.S. federal, state and local taxing jurisdictions. With few exceptions, the Company and its subsidiaries are no longer subject to state and local income tax examinations for years through fiscal 2013. The Internal Revenue Service has concluded an examination of the Company for years ending on or before June 30, 2010.

The effective tax rates for the quarters ended March 31, 2018 and March 31, 2017 were 0.3% and (0.7%), respectively. The effective tax rates for the nine months ended March 31, 2018 and March 31, 2017 were 3.6% and (0.7%), respectively. A full valuation allowance is currently recorded against substantially all of the Company's deferred tax assets. A deviation from the customary relationship between income tax expense/(benefit) and pretax income/(loss) results from utilization of the valuation allowance.

The Company's results of operations included the estimated impact of the enactment of the Tax Cuts and Jobs Act ("TCJA"), which was signed into law on December 22, 2017. Among numerous provisions included in the new law was the reduction of the corporate federal income tax rate from 35% to 21%. The Company continues to assess its accounting for the tax effects of enactment of the TCJA. Final calculations will be completed within the one year measurement period ending December 22, 2018, as required under the rules issued by the SEC. The Company currently expects the effect of the tax law change to have a nominal impact on its annual effective tax rate, given its cumulative loss position and the related valuation allowance. The future impacts of the TCJA may differ due to, among other things, changes in interpretations, assumptions made, the issuance of additional guidance, and actions we may take as a result of the TCJA.

In the second fiscal quarter of 2018, the Company applied the provisions of the newly enacted TCJA, resulting in an approximate $0.5 million income tax benefit connected with future refunds of alternative minimum tax credits no longer requiring a valuation allowance. In the third fiscal quarter of 2018, the Company recognized a $0.1 million additional benefit related to this matter. The impact of the new tax law, including the remeasurement of the Company's deferred taxes at the new corporate tax rate, did not have a material impact on the Company's deferred taxes as substantially all of the Company's net deferred tax assets have corresponding valuation allowances.

8. Cash and cash equivalents — Cash and cash equivalents include credit card receivables and all highly liquid instruments with original maturities of three months or less. Cash equivalents are carried at cost, which approximates fair value. At March 31, 2018 and June 30, 2017, credit card receivables from third party consumer credit card providers were $10.7 million and $4.9 million, respectively. Such receivables are generally collected within one week of the balance sheet date.

9. Intellectual property — Our intellectual property primarily consists of indefinite lived trademarks. We evaluate annually whether the trademarks continue to have an indefinite life. Trademarks and other intellectual property are reviewed for impairment annually in the fourth quarter, and may be reviewed more frequently if indicators of impairment are present. As of March 31, 2018, the carrying value of the intellectual property, which included indefinite-lived trademarks, was $1.0 million and no impairment was identified or recorded.

10. Cease use liability — Amounts in "Accrued liabilities" and "Other liabilities – non-current" in the Consolidated Balance Sheet at March 31, 2018 include the current and long-term portions, respectively, of accruals for the net present value of future minimum lease payments, net of estimated sublease income, attributable to closed stores with remaining lease obligations. The cease use liability at March 31, 2018 was $0.2 million, all classified as short-term. The short-term and long-term cease use liabilities were $1.0 and $0.5 million, respectively, at June 30, 2017. Expenses related to store closings are included in "Selling, general and administrative expenses" in the Consolidated Statements of Operations.

11. Sale-leaseback — During the fourth quarter of fiscal 2016, we entered into a sale-leaseback transaction to sell two buildings and land utilized in our Dallas distribution center operations, which we do not consider part of our long-term distribution network, and leased back these facilities through December 2017. We have since exercised our option to extend the related lease through March 2018, which was accounted for as an operating lease and has now expired. We had no continuing involvement with the properties sold other than a normal leaseback.

The consideration received for the sale, as reduced by closing and transaction costs, was $8.8 million, and the net book value of properties sold was $5.2 million, resulting in a $3.6 million gain. The gain recognized in fiscal year 2016 was $2.5 million, which included the portion of the gain in excess of the present value of the minimum lease payments for the leaseback, and was included in "Other income" in our Consolidated Statement of Operations. During fiscal 2017, we recognized $0.7 million of the gain. During the first nine months of fiscal 2018, we recognized the final $0.4 million of the gain with no remaining deferred gain as of March 31, 2018.

12. Capital lease — During fiscal 2017, we entered into a 5-year capital lease maturing on January 31, 2022 for equipment and software. At March 31, 2018, the capital lease asset balance was $0.7 million, the current lease liability was $0.2 million and the long-term lease liability was $0.4 million. The capital lease asset is amortized on a straight-line basis. During the third fiscal quarter of 2018, the capital lease amortization was less than $0.1 million and was $0.1 million for the nine months ended March 31, 2018.

13. Recent accounting pronouncements — In August 2016, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments ("ASU 2016-15"), which provides guidance on eight specific cash flow issues in regard to how cash receipts and cash payments are presented and classified in the statement of cash flows. ASU 2016-15 is effective for fiscal years beginning after December 15, 2017, including interim periods within those years, with early adoption permitted. The amendments in ASU 2016-15 should be adopted on a retrospective basis unless it is impracticable to apply, in which case the amendments should be applied prospectively as of the earliest date practicable. The Company currently expects to adopt this standard in the first quarter of fiscal 2019 and is evaluating the impact that this standard will have on its consolidated financial statements and disclosures.

In March 2016, the FASB issued ASU No. 2016-09, Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting ("ASU 2016-09") to reduce the complexity of certain aspects of the accounting for employee share-based payment transactions. ASU 2016-09 involves changes in several aspects of the accounting for share-based payment transactions, including the accounting for the income tax consequences of share-based awards. For public companies, ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. The Company adopted ASU 2016-09 in the first quarter of fiscal 2018 and elected to continue to estimate forfeitures expected to occur to determine the amount of share based compensation cost to recognize in each period, as permitted by ASU 2016-09. In addition, the adoption of this standard prospectively changes the dilutive earnings per share calculation by removing excess tax benefits and deficiencies from the computation. The adoption of this standard did not materially impact our consolidated financial statements and disclosures.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-02"), which is intended to improve financial reporting in connection with leasing transactions. ASU 2016-02 will require entities ("lessees") that lease assets with lease terms of more than twelve months to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. Under ASU 2016-02, a right-of-use asset and lease obligation will be recorded for all leases, whether operating or finance, while the income statement will reflect lease expense for operating leases and amortization/interest expense for finance leases. Accounting by entities that own the assets leased by lessees ("lessors") will remain largely unchanged from current GAAP. In addition, ASU 2016-02 requires disclosures to help investors and other financial statement users better understand the amount, timing and uncertainty of cash flows arising from leases. For public companies, ASU 2016-02 is effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years. Early adoption is permitted. A modified retrospective approach is required for all leases existing or entered into after the beginning of the earliest comparative period in the financial statements. The Company currently expects to adopt this standard in the first quarter of fiscal 2020. While the Company is currently evaluating the provisions of ASU 2016-02 to assess the impact on the Company's consolidated financial statements and disclosures, the primary effect of adopting the new standard will be to record assets and obligations for current operating leases.

In July 2015, the FASB issued ASU No. 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory ("ASU 2015-11"), which changes the measurement principle for inventory from the lower of cost or market to the lower of cost or net realizable value, except for companies using the Retail Inventory Method which will continue to use existing impairment models. ASU 2015-11 defines net realizable value as estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The new guidance must be applied on a prospective basis and is effective for fiscal years beginning after December 15, 2016, and interim periods within those years, with early adoption permitted. The Company adopted ASU 2015-11 in the first quarter of fiscal 2018. The adoption of this standard did not have a material impact on the Company's consolidated financial statements and disclosures.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09"), an updated standard on revenue recognition, and has since modified the standard with additional ASUs. The new guidance provides enhancements to the quality and consistency of how revenue is reported while also improving comparability in the financial statements of companies reporting using IFRS and GAAP. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration, or payment, to which the company expects to be entitled in exchange for those goods or services. In July 2015, the FASB deferred the effective date of ASU 2014-09. Accordingly, this standard is effective for reporting periods beginning after December 15, 2017, including interim periods within that year. The Company currently expects to adopt this standard in the first quarter of fiscal 2019 using the modified retrospective method and does not expect this standard to have a material impact on its consolidated financial statements, as the vast majority of its revenue is expected to continue to be generated from point-of-sale transactions that are expected to be recognized consistent with its current accounting. In connection with its point-of-sale transactions, for which sales are subject to a right of return, the Company currently expects to use one portfolio for its measurement of the estimated refund liability and return asset upon adoption of the new standard. Additionally, the Company's current accounting for gift card breakage is consistent with the new standard. The Company is continuing to evaluate whether the new standard will affect its current accounting for customer incentives. The Company is continuing to evaluate the impact that this standard will have on its consolidated financial statements and disclosures.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our unaudited interim consolidated financial statements and the notes thereto included in Part I, Item 1 of this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the fiscal year ended June 30, 2017.

Business Overview

- We are one of the original off-price retailers and a leading destination for unique home and lifestyle goods. We are a true closeout retailer, selling high-quality products at prices below those found in boutique, specialty and department stores. Our customers come to us for an ever-changing, exceptional assortment of brand names at great prices. Our strong value proposition has established a loyal customer base, who we engage regularly with social media, email, direct mail, digital media and newspaper circulars.
- During the third quarter of fiscal 2018, we continued to implement our strategy of improving store locations and the in-store experience for our customers, which includes (i) closing less productive stores with limited foot traffic and relocating some of these stores to, or opening new stores in, better locations with footprints that are on average three to five thousand square feet larger, (ii) expanding some existing stores to a larger footprint, and (iii) improving the finishes in these relocated, new and expanded stores.
- We operated 724 stores in 40 states as of March 31, 2018, consistent with March 31, 2017, as the number of new store openings offset the number of closings as we continued the implementation of our real estate strategy over the past year.
- Net sales for the third quarter of fiscal 2018 were $223.3 million, an increase of 10.0% compared to $203.0 million for the same period last year, primarily due to an increase in sales from comparable stores (stores open at least five quarters, including stores relocated in the same market and renovated stores) of 9.1%. The increase in comparable store sales was due to a 5.9% increase in customer transactions along with a 3.0% increase in average ticket. Sales at the 58 stores relocated during the past 12 months increased approximately 65% on average for the third quarter of fiscal 2018 as compared to the same period last year and contributed approximately 430 basis points of comparable store sales growth. Net sales for the first nine months of fiscal 2018 were $775.9 million, an increase of $32.9 million, from $743.0 million for the same period last year. Comparable store sales for the nine months ended March 31, 2018 increased by 4.3%, compared to the same period last year, which was due to a 3.3% increase in customer transactions as well as a 1.0% increase in average ticket. Sales per square foot for the rolling 12 month period ended March 31, 2018 were $117, an increase from $116 for the rolling 12 month period ended March 31, 2017.
- Cost of sales, as a percentage of net sales, for the third quarter of fiscal 2018 was 64.0%, compared to 66.9% for the same period last year. Cost of sales, as a percentage of net sales, for the first nine months of fiscal 2018 was 66.0%, compared to 66.3% for the same period last year.
- For the third quarter of fiscal 2018, selling, general and administrative expenses increased $6.3 million to $88.1 million, from $81.8 million for the same quarter last year. For the first nine months of fiscal 2018, selling, general and administrative expenses increased $9.8 million to $275.4 million, from $265.6 million for the same period last year.
- Our operating loss for the third quarter of fiscal 2018 was $7.8 million compared to an operating loss of $14.7 million for the same period last year. Our operating loss for the nine months ended March 31, 2018 was $11.5 million compared to an operating loss of $15.2 million for the same period last year.
- Our net loss for the third quarter of fiscal 2018 was $8.1 million, or $0.18 per share, compared to $14.8 million, or $0.34 per share, for the same period last year. Our net loss for the nine months ended March 31, 2018 was $11.6 million, or $0.26 per share, compared to a net loss of $15.2 million, or $0.35 per share, for the same period last year.
- As shown under the heading "Non-GAAP Financial Measures" below, EBITDA for the third quarter of fiscal 2018 was negative $1.3 million compared to negative $8.7 million for the same period last year. Adjusted EBITDA for the third quarter of fiscal 2018 was negative $0.9 million compared to negative $7.8 million for the same period last year. EBITDA for the first nine months of fiscal 2018 was $8.5 million compared to $1.6 million for the prior year period. Adjusted EBITDA for the first nine months of fiscal 2018 was $11.6 million compared to $7.0 million for the same period last year, as shown below.
- Inventory levels at March 31, 2018 increased $23.1 million to $245.0 million from $221.9 million at June 30, 2017. Compared to the same date last year, inventories decreased $23.3 million from $268.3 million at March 31, 2017. The decrease in inventory as compared to March 31, 2017 was driven primarily by lower inventory in our distribution centers and lower in-transit inventory, due in part to continued supply chain and inventory management improvements. Inventory turnover for the trailing five quarters as of March 31, 2018 was 2.7 turns, an increase compared to the trailing five quarters as of March 31, 2017 of 2.4 turns.

- Cash and cash equivalents at March 31, 2018 increased $6.0 million to $12.3 million from $6.3 million at June 30, 2017. Compared to the same date last year, cash and cash equivalents increased $8.6 million from $3.7 million at March 31, 2017.

Results of Operations

Our business is highly seasonal, with a significant portion of our net sales and most of our operating income generated in the quarter ending December 31.

There can be no assurance that the trends in sales or operating results will continue in the future.

N**on-GAAP Financial Measures**

We define EBITDA as net income or net loss before interest, income taxes, depreciation, and amortization. Adjusted EBITDA reflects further adjustments to EBITDA to eliminate the impact of certain items, including certain non-cash items and other items that we believe are not representative of our core operating performance. These measures are not presentations made in accordance with GAAP. EBITDA and Adjusted EBITDA should not be considered as alternatives to net income or loss as a measure of operating performance. In addition, EBITDA and Adjusted EBITDA are not presented as, and should not be considered as alternatives to cash flows as a measure of liquidity. EBITDA and Adjusted EBITDA should not be considered in isolation, or as substitutes for analysis of our results as reported under GAAP and Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by such adjustments. We believe it is useful for investors to see these EBITDA and Adjusted EBITDA measures that management uses to evaluate our operating performance. These non-GAAP financial measures are included to supplement our financial information presented in accordance with GAAP and because we use these measures to monitor and evaluate the performance of our business as a supplement to GAAP measures and we believe the presentation of these non-GAAP measures enhances investors' ability to analyze trends in our business and evaluate our performance. EBITDA and Adjusted EBITDA are also frequently used by analysts, investors and other interested parties to evaluate companies in our industry. The non-GAAP measures presented may not be comparable to similarly titled measures used by other companies.

The following table reconciles net income/(loss), the most directly comparable GAAP financial measure, to EBITDA and Adjusted EBITDA, each of which is a non-GAAP financial measure (in thousands):

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2018	2017	2018	2017
Net loss (GAAP)	$ (8,080)	$ (14,796)	$ (11,642)	$ (15,221)
Depreciation and amortization	6,363	5,659	19,087	15,635
Interest expense, net	485	370	1,450	1,028
Income tax provision/(benefit)	(23)	101	(431)	113
EBITDA (non-GAAP)	$ (1,255)	$ (8,666)	$ 8,464	$ 1,555
Share based compensation expense (1)	784	908	2,729	3,224
Cease-use rent expense (2)	(396)	87	398	560
Phoenix distribution center related expenses (3)	—	59	—	2,196
Stockholder nominations related expenses (4)	—	—	408	—
Gain on sale of assets (5)	—	(185)	(371)	(556)
Adjusted EBITDA (non-GAAP)	$ (867)	$ (7,797)	$ 11,628	$ 6,979

(1) Adjustment includes charges related to share-based compensation programs, which vary from period to period depending on volume and vesting timing of awards. We adjust for these charges to facilitate comparisons from period to period.

(2) Adjustment includes accelerated rent expense recognized in relation to closing stores prior to lease termination. A favorable lease buyout agreement was negotiated and executed in the third quarter of fiscal 2018, resulting in the reversal of previously recorded accelerated cease-use rent expense. While accelerated rent expense may occur in future periods, the amount and timing of such expenses will vary from period to period.

(3) Adjustment includes only certain expenses related to the Phoenix distribution center preparation, ramp up and post go-live activities, including incremental detention costs and certain consulting costs.

(4) Adjustment includes only certain incremental expenses which relate to the stockholder nominations as described in our Preliminary and Definitive Proxy Statements filed with the SEC on September 25, 2017 and October 5, 2017, respectively.

(5) Adjustment includes the gain recognized from the sale-leaseback transaction which occurred in the fourth quarter of fiscal 2016.

Three Months Ended March 31, 2018
Compared to the Three Months Ended March 31, 2017

Net sales for the third quarter of fiscal 2018 were $223.3 million, an increase of $20.3 million from $203.0 million in the third quarter fiscal 2017. Comparable store sales increased 9.1% compared to the third quarter of fiscal 2017. New stores are included in the same store sales calculation starting with the sixteenth month following the date of the store opening. A store that relocates within the same geographic market or modifies its available retail space is generally considered the same store for purposes of this computation. The increase in comparable store sales was comprised of a 5.9% increase in customer transactions along with a 3.0% increase in average ticket. Non-comparable stores increased by a total of $2.4 million and resulted in a 90 basis point positive impact on net sales. Non-comparable store sales include the net effect of sales from new stores and sales from stores that have closed. The non-comparable store sales increase was driven by 21 store openings, offset by 21 store closures, which have occurred since the end of the third quarter of fiscal 2017. Our sales results in the third quarter of fiscal 2018 as compared to the third quarter of fiscal 2017 benefitted from the shifts of a promotional event from the fourth quarter to the third quarter in 2018, as well as from the timing of the sales ramp up prior to the Easter holiday. Although an estimation, we believe that these shifts benefitted our third quarter fiscal 2018 comparable store sales performance by approximately 300 basis points. During the third quarter in the prior year, we experienced issues related to the ramp up of our Phoenix distribution center facility and transition to a multiple distribution center network. These issues resulted in lower than plan store level inventories during the prior year quarter which negatively affected sales across our entire store base.

	Store Openings/Closings		
	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017	Fiscal Year Ended June 30, 2017
Stores open at beginning of period	724	740	751
Stores opened during the period	5	7	21
Stores closed during the period	(5)	(23)	(41)
Stores open at end of period	724	724	731

We ended the third quarter of fiscal 2018 with 724 stores open at March 31, 2018, consistent with 724 stores open at March 31, 2017. We relocated 10 existing stores during the third quarter of fiscal 2018 and seven stores in the third quarter of the prior fiscal year. We had no store expansions during the third quarter of fiscal 2018 and expanded two stores in the third quarter of the prior fiscal year.

Gross profit for the third quarter of fiscal 2018 was $80.3 million, an increase of 19.5% compared to $67.2 million in gross profit for the third quarter of fiscal 2017. Gross profit as a percentage of net sales was 36.0% for the third quarter of fiscal 2018, compared to 33.1% for the third quarter of fiscal 2017. The increase in gross margin for the quarter was driven by a significant decrease in the amount of distribution and freight costs as a percentage of sales recognized in the third quarter fiscal 2018 compared to the prior year, due to the elevated costs incurred and recognized in the prior year as a result of the supply chain issues we experienced in fiscal 2017. Those prior year elevated costs were incurred due to the supply chain issues we experienced in fiscal 2017. Additionally, we have achieved and recognized cost efficiencies in our distribution operations in the current year, along with reduced markdowns and continued improvement in initial merchandise mark-up which have contributed to improvements in gross margin. Transportation costs incurred in the third quarter included increased amounts related to the transportation industry challenges we faced, including increased fuel and carrier costs, and those increased costs will continue to be recognized in future quarters as the inventory is sold.

Selling, General & Administrative (SG&A) expenses for the third quarter of fiscal 2018 increased 7.7% to $88.1 million, compared to $81.8 million in the same period last year. As a percentage of net sales, SG&A was 39.5% for the third quarter of fiscal 2018 compared to 40.3% in the same period last year, leveraging approximately 80 basis points. This decrease in SG&A as a percentage of net sales was driven primarily by leveraging store labor costs as well as reductions in certain corporate expenses, including labor and legal costs, which decreased both in dollars and as a percentage of net sales in the current year quarter from the prior year quarter. Partially offsetting these decreased costs were higher store rent and depreciation, due in part to our strategy to improve store real estate, and higher advertising expenses due to promotional timing.

Our operating loss was $7.8 million for the third quarter of fiscal 2018 as compared to an operating loss of $14.7 million during the third quarter of fiscal 2017.

Interest expense increased $0.1 million to $0.5 million in the third quarter of fiscal 2018 compared to $0.4 million in the third quarter of fiscal 2017, as a result of increased borrowings, as well as higher interest rates, on our Revolving Credit Facility during the third quarter of fiscal 2018. Other income was $0.2 million in the third quarter of fiscal 2018 compared to $0.4 million in the third quarter of fiscal 2017.

Income tax expense for the third quarter of fiscal 2018 was a $23 thousand benefit compared to $0.1 million of expense for the same period last year. The third fiscal quarter tax benefit includes a favorable tax impact of approximately $0.1 million resulting from the release of a valuation allowance on deferred taxes due to recent tax law changes. The effective tax rates for the third quarter of fiscal 2018 and fiscal 2017 were 0.3% and (0.7%), respectively. We currently expect the effect of the recent tax law change to have a nominal impact on our annual effective tax rate, given our cumulative loss position and the related valuation allowance. We currently believe the expected effects on future year effective tax rates to continue to be nominal until the cumulative losses and valuation allowance are fully utilized. A full valuation allowance is currently recorded against substantially all of our net deferred tax assets at March 31, 2018. A deviation from the customary relationship between income tax benefit and pretax income results from utilization of the valuation allowance.

Nine Months Ended March 31, 2018
Compared to the Nine Months Ended March 31, 2017

Net sales for the first nine months of fiscal 2018 were $775.9 million, an increase of $32.9 million from $743.0 million in the same period last year. Comparable store sales increased 4.3% compared to the same period in fiscal 2017. New stores are included in the same store sales calculation starting with the sixteenth month following the date of the store opening. A store that relocates within the same geographic market or modifies its available retail space is generally considered the same store for purposes of this computation. The increase in comparable store sales was comprised of a 3.3% increase in customer transactions and a 1.0% increase in average ticket. Non-comparable store sales increased a total of $2.2 million, resulting in a 10 basis point positive impact on net sales. Non-comparable store sales include the net effect of sales from new stores and sales from stores that have closed. The non-comparable store sales decrease was driven by 61 store closures, partially offset by 34 store openings, which have occurred since the beginning of the prior fiscal year. During the nine months ended March 31, 2017, we experienced issues related to the ramp up of our Phoenix distribution facility and transition to a multiple distribution center network. These issues resulted in lower than plan store level inventories during the nine month period in the prior year which negatively affected sales across our entire store base.

	Store Openings/Closings		
	Nine Months Ended March 31, 2018	Nine Months Ended March 31, 2017	Fiscal Year Ended June 30, 2017
Stores open at beginning of period	731	751	751
Stores opened during the period	13	13	21
Stores closed during the period	(20)	(40)	(41)
Stores open at end of period	724	724	731

We ended the first nine months of fiscal 2018 with 724 stores open at March 31, 2018, consistent with 724 stores open at March 31, 2017. We relocated 36 existing stores during the first nine months of fiscal 2018 and 30 stores in the first nine months of the prior fiscal year. We expanded seven stores during the first nine months of fiscal 2018 and 10 stores in the first nine months of the prior fiscal year.

Gross profit for the first nine months of fiscal 2018 was $263.9 million, an increase of 5.3% compared to $250.5 million in gross profit for the same period of fiscal 2017. Gross profit as a percentage of net sales was 34.0% for the first nine months of fiscal 2018, compared to 33.7% for the same period of fiscal 2017. The increase in gross margin was primarily due to improvements in initial merchandise mark-up and reduced markdowns, partially offset by higher distribution and freight costs recognized in the current year, due to the elevated costs incurred in the prior year as a result of the supply chain issues we experienced in fiscal 2017.

SG&A expenses for the first nine months of fiscal 2018 increased 3.7% to $275.4 million, compared to $265.6 million in the same period of fiscal 2017. As a percentage of net sales, SG&A was 35.5% for the first nine months of fiscal 2018 compared to 35.7% in the same period last year. This decrease in SG&A as a percentage of net sales was driven primarily by reductions in certain corporate expenses, including labor costs, and legal and professional fees, which decreased both in dollars and as a percentage of net sales in the current year from the prior year period. Partially offsetting these decreased costs were higher store rent and depreciation, due in part to our strategy to improve store real estate.

Interest expense increased $0.4 million to $1.5 million in the first nine months of fiscal 2018 compared to $1.1 million in the same period of fiscal 2017, as a result of increased borrowings on our Revolving Credit Facility, as well as higher interest rates, during the first nine months of fiscal 2018. Other income was $0.9 million in the first nine months of fiscal 2018 compared to $1.1 million in the first nine months of fiscal 2017.

Income tax expense for the first nine months of fiscal 2018 was a $0.4 million benefit compared to $0.1 million of expense for the same period last year. The income tax benefit in the current year includes a favorable tax impact of approximately $0.6 million resulting from the release of a valuation allowance on deferred taxes due to recent tax law changes. The effective tax rates for the first nine months of fiscal 2018 and fiscal 2017 were 3.6% and (0.7%), respectively. We currently expect the effect of the recent tax law change to have a nominal impact on our annual effective tax rate, given our cumulative loss position and the related valuation allowance. We currently believe the expected effects on future year effective tax rates to continue to be nominal until the cumulative losses and valuation allowance are fully utilized. A full valuation allowance is currently recorded against substantially all of our net deferred tax assets at March 31, 2018. A deviation from the customary relationship between income tax benefit and pretax income results from utilization of the valuation allowance.

Liquidity and Capital Resources

Cash Flows from Operating Activities

Net cash provided by operating activities for the nine months ended March 31, 2018 was $17.8 million compared to net cash used of $31.1 million for the nine months ended March 31, 2017. The $17.8 million of cash provided by operating activities for the nine months ended March 31, 2018 was primarily due to a net loss of $11.6 million, adjusted for non-cash items, including depreciation and amortization of $19.3 million and share based compensation of $2.7 million. In the first nine months of fiscal 2018, we received $6.7 million in construction allowances from landlords related to our real estate improvement strategy. Also impacting net cash provided by operating activities were an increase in accounts payable of $19.4 million primarily due to increased merchandise purchases in the current quarter, an increase in accrued liabilities of $2.2 million, an increase in deferred rent of $1.9 million, partially offset by an increase in inventory of $23.1 million. There were no significant changes to our vendor payments policy during the nine months ended March 31, 2018.

The $31.1 million of cash used in operating activities for the nine months ended March 31, 2017 was primarily due to a net loss of $15.2 million, adjusted for non-cash items, including depreciation and amortization of $15.9 million and share based compensation of $3.2 million. Also impacting net cash used in operating activities were increased inventories of $26.0 million and decreased accounts payable of $12.8 million, partially offset by increased deferred rent of $2.7 million.

Cash Flows from Investing Activities

Net cash used in investing activities for the nine months ended March 31, 2018 and 2017 related primarily to capital expenditures. Capital expenditures are associated with store relocations, expansions and new store openings, capital improvements to existing stores, as well as enhancements to our distribution center facilities, equipment, and systems along with improvements related to our corporate office and equipment. Cash used in investing activities totaled $25.5 million and $27.3 million for the nine months ended March 31, 2018 and 2017, respectively, primarily related to our store real estate strategy.

We currently expect to incur capital expenditures, net of construction allowances received from landlords, in the range of $23 million to $26 million in fiscal year 2018.

Cash Flows from Financing Activities

Net cash provided by financing activities of $13.7 million for the nine months ended March 31, 2018 relates to borrowings of $153.9 million, offset by $140.0 million of repayments on our Revolving Credit Facility. Net cash provided by financing activities of $48.0 million for the nine months ended March 31, 2017 primarily consisted of $41.0 million of borrowings on our Revolving Credit Facility, net of payments, along with a $7.0 million cash overdraft provision.

Revolving Credit Facility

We have a credit agreement providing for an asset-based, five-year senior secured revolving credit facility in the amount of up to $180.0 million which matures on August 18, 2020 (the "Revolving Credit Facility"). The availability of funds under the Revolving Credit Facility is limited to the lesser of a calculated borrowing base and the lenders' aggregate commitments under the Revolving Credit Facility. Our indebtedness under the Revolving Credit Facility is secured by a lien on substantially all of our assets. The Revolving Credit Facility contains certain restrictive covenants, which affect, among others, our ability to incur liens or incur additional indebtedness, change the nature of our business, sell assets or merge or consolidate with any other entity, or make investments or acquisitions unless they meet certain requirements. The Revolving Credit Facility requires that we satisfy a fixed charge coverage ratio at any time that our availability is less than the greater of 10% of our calculated borrowing base or $12.5 million. Our Revolving Credit Facility may, in some instances, limit our ability to pay cash dividends and repurchase our common stock. In order for the borrower under the Revolving Credit Facility, our subsidiary, to make a restricted payment to us for the payment of a dividend or a repurchase of shares, we must, among other things, maintain availability of 20% of the lesser of our calculated borrowing base or our lenders' aggregate commitments under the Revolving Credit Facility on a pro forma basis for a specified period prior to and immediately following the restricted payment. As of March 31, 2018, we were in compliance with all of the Revolving Credit Facility covenants.

At March 31, 2018, we had $44.4 million outstanding under the Revolving Credit Facility, $8.5 million of outstanding letters of credit and availability of $67.0 million. Letters of credit under the Revolving Credit Facility are primarily for self-insurance purposes. We incur commitment fees of up to 0.25% on the unused portion of the Revolving Credit Facility, payable quarterly. Any borrowing under the Revolving Credit Facility incurs interest at LIBOR or the prime rate, plus an applicable margin, at our election (except with respect to swing loans, which incur interest solely at the prime rate plus the applicable margin), subject to a floor of one month LIBOR plus an applicable margin in the case of loans based on the prime rate. Interest expense for the third quarter of the current fiscal year from the Revolving Credit Facility of $0.5 million was comprised of commitment fees of $0.1 million, interest expense of $0.3 million and the amortization of financing fees of $0.1 million. Interest expense for the third quarter of the prior fiscal year from the Revolving Credit Facility of $0.4 million was comprised commitment fees of $0.1 million, interest expense of $0.2 million and the amortization of financing fees of $0.1 million. Interest expense for the nine months ended March 31, 2018 of $1.5 million was comprised of commitment fees of $0.4 million, interest expense of $0.8 million and the amortization of financing fees of $0.3 million. Interest expense for the nine months ended March 31, 2017 of $1.1 million was comprised of commitment fees of $0.4 million, interest expense of $0.4 million and the amortization of financing fees of $0.3 million.

Liquidity

We have financed our operations with funds generated from operating activities, available cash and cash equivalents, proceeds from the sale of owned properties and borrowings under our Revolving Credit Facility. Cash and cash equivalents as of March 31, 2018 and 2018, were $12.3 million and $3.7 million, respectively. Our cash flows will continue to be utilized for the operation of our business and the use of any excess cash will be determined by the Board of Directors. Given the seasonality of our business, the amount of borrowings under our Revolving Credit Facility may fluctuate materially depending on various factors, including the time of year, our strategic investment needs and the opportunity to acquire merchandise inventory. Our primary uses for cash provided by operating activities relate to funding our ongoing business activities and planned capital expenditures. We may also use available cash to repurchase shares of our common stock. We believe funds generated from our operations, available cash and cash equivalents and borrowings under our Revolving Credit Facility will be sufficient to fund our operations for the next year. If our capital resources are not sufficient to fund our operations, we may seek additional debt or equity financing. However, we can offer no assurances that we will be able to obtain additional debt or equity financing on reasonable terms.

Off-Balance Sheet Arrangements and Contractual Obligations

We had no off-balance sheet arrangements as of March 31, 2018.

As of March 31, 2018, there have been no material changes outside the ordinary course of business from the disclosures relating to contractual obligations contained under "Contractual Obligations" in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2017.

Critical Accounting Policies

This Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon our unaudited interim consolidated financial statements, which have been prepared pursuant to the rules and regulations of the SEC. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of certain assets, liabilities, sales and expenses, and related disclosure of contingent assets and liabilities. On a recurring basis, we evaluate our significant estimates which are based on historical experience and on various other assumptions that we believe are reasonable under the circumstances. Actual results may differ materially from these estimates.

As of March 31, 2018, there were no changes to our critical accounting policies from those listed in our Annual Report on Form 10-K for the fiscal year ended June 30, 2017.

Under the retail inventory method, permanent markdowns result in cost reductions in inventory at the time the markdowns are taken. We also utilize promotional markdowns for specific marketing efforts used to drive higher sales volume and customer transactions for a specified period of time. Promotional markdowns do not impact the value of unsold inventory and thus do not impact cost of sales until the merchandise is sold. Markdowns and damages during the third quarter of fiscal 2018 were 4.1% of sales compared to 5.5% of sales for the same period last year. If our sales forecasts are not achieved, we may be required to record additional markdowns that could exceed historical levels. The effect of a 0.5% markdown in the value of our inventory at March 31, 2018 would result in a decline in gross profit and earnings per share for the third quarter of fiscal 2018 of $1.2 million and $0.03, respectively.

For a further discussion of the judgments we make in applying our accounting policies, see Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, in our Annual Report on Form 10-K for the fiscal year ended June 30, 2017.

Recent Accounting Pronouncements

Please refer to Note 13 of our unaudited condensed consolidated financial statements for a summary of recent accounting pronouncements.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the federal securities laws and the Private Securities Litigation Reform Act of 1995, which are based on management's current expectations, estimates and projections. These statements may be found throughout this Quarterly Report on Form 10-Q, particularly in this "Management's Discussion and Analysis of Financial Condition and Results of Operations," among others. Forward-looking statements typically are identified by the use of terms such as "may," "will," "should," "expect," "anticipate," "believe," "estimate," "intend" and similar words, although some forward-looking statements are expressed differently. You should consider statements that contain these words carefully because they describe our current expectations, plans, strategies and goals and our current beliefs concerning future business conditions, our future results of operations, our future financial position, and our current business outlook or state other "forward-looking" information. Forward looking statements also include statements regarding our sales and growth expectations, our liquidity, capital expenditure plans, our inventory management plans, our real estate strategy and merchandising and marketing strategies.

Readers are referred to Part 1, Item 1A "Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended June 30, 2017 for examples of risks, uncertainties and events that could cause our actual results to differ materially from the expectations expressed in our forward-looking statements. These risks, uncertainties and events also include, but are not limited to, the following:

- our ability to successfully implement our long-term business strategy;
- changes in economic and political conditions which may adversely affect consumer spending;
- our failure to identify and respond to changes in consumer trends and preferences;
- our ability to continuously attract buying opportunities for off-price merchandise and anticipate consumer demand;
- our ability to successfully manage our inventory balances profitably;
- our ability to effectively manage our supply chain operations;
- loss of, disruption in operations, or increased costs in the operation of our distribution center facilities;
- unplanned loss or departure of one or more members of our senior management or other key management;
- increased or new competition;
- our ability to successfully execute our strategy of opening new stores and relocating and expanding existing stores;
- increases in fuel prices and changes in transportation industry regulations or conditions;
- our ability to generate strong cash flows from operations and to continue to access credit markets;
- increases in the cost or a disruption in the flow of our imported products;
- changes in federal tax policy;
- the success of our marketing, advertising and promotional efforts;
- our ability to attract, train and retain quality employees in appropriate numbers, including key employees and management;
- increased variability due to seasonal and quarterly fluctuations;
- our ability to maintain and protect our information technology systems and technologies and related improvements to support our growth;
- our ability to protect the security of information about our business and our customers, suppliers, business partners and employees;
- our ability to comply with existing, changing and new government regulations;
- our ability to manage litigation risks from our customers, employees and other third parties;
- our ability to manage risks associated with product liability claims and product recalls;

- the impact of adverse local conditions, natural disasters and other events;
- our ability to manage the negative effects of inventory shrinkage;
- our ability to manage exposure to unexpected costs related to our insurance programs;
- our ability to mitigate reductions of customer traffic in shopping centers where our stores are located; and
- increased costs or exposure to fraud or theft resulting from payment card industry related risk and regulations.

The forward-looking statements made in this Form 10-Q relate only to events as of the date on which the statements are made. Except as may be required by law, we disclaim obligations to update any forward-looking statements to reflect events or circumstances after the date on which the statements were made or to reflect the occurrence of unanticipated events. Investors are cautioned not to place undue reliance on any forward-looking statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to the Company's market risks as disclosed in our Annual Report on Form 10-K filed for the fiscal year ended June 30, 2017.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Based on our management's evaluation (with participation of our principal executive officer and our principal financial officer), our principal executive officer and our principal financial officer have concluded that our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) were effective as of March 31, 2018 to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934, as amended, is (1) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and (2) accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, if any, within a company have been detected. Accordingly, our disclosure controls and procedures are designed to provide reasonable, not absolute, assurance that their objectives are met and, as set forth above, our chief executive officer and chief financial officer have concluded, based on their evaluation as of the end of the period covered by this report, that our disclosure controls and procedures were effective to provide reasonable assurance that their objectives were met.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2018 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

We are involved in legal and governmental proceedings as part of the normal course of our business. Reserves have been established when a loss is considered probable and are based on management's best estimates of our potential liability in these matters. These estimates have been developed in consultation with internal and external counsel and are based on a combination of litigation and settlement strategies. Management believes that such litigation and claims will be resolved without material effect on our financial position or results of operations.

The Company is a defendant in a purported class action lawsuit, *Jerry Castillo v. Tuesday Morning Inc*., which was filed on December 28, 2017 in the United States District Court, Middle District of Florida. The case is brought under the Fair Labor Standards Act and includes allegations that the Company violated various wage and hour labor laws. Relief is sought on behalf of current and former Company employees. The lawsuit seeks to recover damages, penalties and attorneys' fees as a result of the alleged violations. We are investigating the underlying allegations and intend to vigorously defend our position. We cannot reasonably estimate the potential loss or range of loss, if any, for the lawsuit.

The Company is also a defendant in a purported class action lawsuit, *Hector Velarde, on behalf of himself and all other similar situated, Pltf. vs. Tuesday Morning, Inc*., which was filed on February 26, 2018 in state court and is currently pending in the United States District Court, Central District of California. The case is brought under the Unruh Civil Rights Act, California Code § 51 ci seq. ("Unruh Act"), the California Disabled persons Act, California Civil Code § 54 et seq. ("CDPA"), and Cal. Civ. Code § 55 et seq. and includes allegations that the Company violated various public access laws. The lawsuit seeks to recover damages, penalties and attorneys' fees as a result of the alleged violations. We are investigating the underlying allegations and intend to vigorously defend our position. We cannot reasonably estimate the potential loss or range of loss, if any, for the lawsuit.

Item 1A. Risk Factors

We believe there have been no material changes from our risk factors previously disclosed in Part 1, Item 1A "Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended June 30, 2017.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Information regarding our repurchases of equity securities during the three months ended March 31, 2018 is provided in the following table:

Period	Total Number of Shares Repurchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (1)
January 1 through January 31, 2018	—	$ —	—	$ 3,187,746
February 1 through February 28, 2018	—	$ —	—	$ 3,187,746
March 1 through March 31, 2018	—	$ —	—	$ 3,187,746
Total	—	$ —	—	$ 3,187,746

(1) On August 22, 2011, our Board of Directors adopted a share Repurchase Program pursuant to which we are authorized to repurchase from time to time shares of Common Stock, up to a maximum of $5.0 million in aggregate purchase price for all such shares (the "Repurchase Program"). On January 20, 2012, our Board of Directors increased the authorization for stock repurchases under the Repurchase Program from $5.0 million to a maximum of $10.0 million. The Repurchase Program does not have an expiration date and may be amended, suspended or discontinued at any time. The Board will periodically evaluate the Repurchase Program and there can be no assurances as to the number of shares of Common Stock we will repurchase. During the three months ended March 31, 2018, no shares were repurchased under the Repurchase Program.

Item 5. Other Information

Amendment of Chief Executive Officer Employment Agreement

On May 1, 2018, the Compensation Committee of our Board of Directors (the "Committee") approved an amendment (the "Amendment") to the employment agreement, dated as of December 11, 2015, between the Company and our Chief Executive Officer, Steven R. Becker (the "Becker Employment Agreement"). The Amendment modifies the cash severance amounts Mr. Becker is eligible to receive upon his termination of employment by us without cause or by him for good reason, as follows: instead of a prorated annual bonus for the fiscal year of his termination of employment, he is now eligible to receive an amount equal to one times his annual bonus for such year at the target performance level and, if the termination of employment occurs within 12 months following a "change in control" (as defined in the Becker Employment Agreement), he is now eligible to receive an amount equal to 1.5 times his target annual bonus, payable at the same time as bonuses would otherwise be payable under the Company's annual bonus plan.

The Committee approved the Amendment, as well as the severance plan and retention agreements described below, as part of an overall review of the Company's retention and severance policies.

Except as described herein, the Becker Employment Agreement will continue in full force and effect in accordance with its terms and conditions. The foregoing description of the Amendment is qualified in its entirety by reference to the full text of the Amendment, which is attached hereto as Exhibit 10.1, and is incorporated herein by reference.

Executive Severance Plan

On May 1, 2018, the Committee, following consultation with their independent compensation consultant, and taking into account amongst other things, the competitive pressures in the retail industry and competitive hiring pressures in the DFW market, approved the adoption of the Tuesday Morning Corporation Executive Severance Plan (the "Severance Plan"). The adoption of the Severance Plan is to provide financial and transitional assistance to certain executives of the Company with the title of Senior Vice President or higher, which include our named executive officers other than our CEO (the "Eligible Executives"), following a termination of employment under certain circumstances. Pursuant to the Severance Plan, in the event an Eligible Executive's employment is terminated by us without "cause" at any time during the Severance Plan's term or by an Eligible Executive for "good reason", but only if such termination by the Eligible Executive for good reason occurs within 18 months following the closing date of a "change in control" (as each such term is defined in the Severance Plan), the Eligible Executive will be eligible to receive the following:

- Severance Benefits: If an Eligible Executive is a senior vice president, he or she will be eligible to receive severance payments of an amount equal to one times his or her annual base salary in effect immediately prior to such Eligible Executive's termination of employment, payable in equal installments in accordance with our regular payroll procedures for 12 months. If an Eligible Executive is an executive officer higher than a senior vice president, he or she will instead be eligible to receive severance payments of an amount equal to 1.5 times his or her annual base salary in effect immediately prior to such Eligible Executive's termination of employment, payable in equal installments in accordance with our regular payroll procedures for 18 months. The amount of an Eligible Executive's annual base salary used to determine his or her severance amounts will not include any bonuses or financial perquisites. Generally, severance payments will commence on our next regularly scheduled payroll date immediately following the date we receive a validly executed, irrevocable release of claims from the Eligible Executive.

  In the event the Eligible Executive's termination of employment occurs within 18 months following a change in control (the "Change in Control Period"), the Eligible Executive's severance payments will be increased as follows: if an Eligible Executive is a senior vice president, his or her aggregate severance payments will be equal to 1.5 times such Eligible Executive's annual base salary, and if an Eligible Executive is an executive officer higher than a senior vice president, his or her aggregate severance payments will be equal to two times such Eligible Executive's annual base salary, in each case, as in effect immediately prior to his or her termination of employment, excluding all bonuses and financial perquisites, and payable in a lump sum on the first date his or her severance payments would have commenced had the termination of employment not occurred during the Change in Control Period as described above.

- Benefits Continuation Payments: Provided the Eligible Executive timely elects to continue in our group health plan pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("***COBRA***"), monthly payments equal to the employer-portion of health insurance premiums for our active employees for up to the number of months the Eligible Executive's severance benefits described above are payable (or, if earlier, until such Eligible Executive's COBRA coverage terminates for any reason), and provided further that the Eligible Executive timely returns a validly executed, irrevocable release of claims as described above. Benefits continuation payments will commence on the same date as the severance benefits described above commence.

- Outplacement Benefits: Outplacement services provided by an outplacement firm selected by us for up to six months, provided the Eligible Executive timely returns a validly executed, irrevocable release of claims as described above.

The severance and benefits continuation payments described above will be reduced by all applicable payroll and other tax withholdings. Any payments to an Eligible Executive that are not exempt from the requirements of Section 409A of the Internal Revenue Code of 1986, as amended, will not be paid to an Eligible Executive that is a "specified employee" (as described in Treas. Reg. § 1.409A-1(i)) until at least six months and one day following the Eligible Executive's employment termination date or, if earlier, the date of his or her death.

No benefits will be payable pursuant to the Severance Plan to an Eligible Executive for any termination of his or her employment other than by us without cause or by the Eligible Executive for good reason during the Change in Control Period (*e.g.,* termination due to the Eligible Executive's death, disability, voluntary resignation without good reason, retirement, etc.). In addition, if an Eligible Executive is party to a severance agreement with us on the date his or her employment with us ends, the Eligible Executive will not be eligible for benefits under the Severance Plan if such benefits would be duplicative of any benefits he or she is eligible to receive pursuant to the terms of his or her severance agreement, and an Eligible Executive will cease receiving any benefits under the Severance Plan if he or she fails to comply with any written agreement in effect between the Eligible Executive and us (or any of our subsidiaries) that contains non-competition, non-solicitation, or confidentiality provisions.

The Severance Plan provides that it will continue in full force and effect until such date as it is terminated by the Committee, and the Committee may amend, modify, or terminate the Severance Plan at any time. The Severance Plan is an unfunded employee benefit plan, and all payments under the Severance Plan will be paid out of the general assets of the Company. The foregoing description of the Severance Plan is qualified in its entirety by reference to the full text of the Severance Plan, which is attached hereto as Exhibit 10.2 and is incorporated herein by reference.

Retention Agreements

On May 1, 2018, the Committee, following consultation with their independent compensation consultant also approved entering into Retention Agreements with Stacie Shirley, Trent Taylor, Phillip D. Hixon, and Belinda Byrd taking into account amongst other things, the competitive pressures in the retail industry and competitive hiring pressures in the DFW market. In exchange for his or her agreement to remain employed with us through the end of the 2019 Calendar Year, we will pay the following retention amounts to each executive who entered into a Retention Agreement, less all applicable payroll and other tax withholdings (the "Retention Payment"), $800,000 to Ms. Shirley, $500,000 to each of Messrs. Taylor and Hixon and Ms. Byrd. Each Retention Payment will be paid in two installments: 30% of the Retention Payment will be payable on our first regularly scheduled payroll date following January 1, 2019 (the "First Retention Date"), and the remaining 70% of the Retention Payment will be payable on our first regularly scheduled payroll date following January 1, 2020 (the "Second Retention Date"), provided the executive has remained employed by us through the applicable retention date. In addition, if a "change in control" (as defined in the Retention Agreements) of the Company occurs prior to the First Retention Date and the executive is employed by us on the closing date of the change in control and remains employed with us through the First Retention Date, then the executive will receive the full amount of the Retention Payment on the First Retention Date. If a change in control of the Company occurs after the First Retention Date but prior to the Second Retention Date, and the executive is employed by us on the closing date of the change in control, then the executive will receive the full amount of any unpaid portion of the Retention Payment on the closing date of the change in control.

In the event an executive's employment is terminated by us without "cause", by an executive for "good reason" (but only if such termination of employment for good reason occurs within 18 months following the closing date of a change in control), or due to an executive's death or "total and permanent disability" (as each such term is defined in the Retention Agreements), then subject to the executive (or his or her estate) returning a validly executed, irrevocable release of claims to us within 30 days (or longer period if required by law) of the executive's employment termination date, the executive (or his or her estate) generally will receive the full amount of any unpaid portion of the Retention Payment on our next regularly scheduled payroll date following the date we receive the validly executed, irrevocable release of claims from the executive (or his or her estate). In addition, the entire Retention Payment will be forfeited by an executive if he or she (or his or her estate) refuses to sign or fails to timely return the release to us or if the executive violates any of the Retention Agreement's restrictive covenants, which include certain confidential information and non-disclosure obligations as well as non-disparagement, non-solicitation, and non-compete provisions. Under the terms of the Retention Agreements, in the event an executive receives payment of all or a portion of the Retention Payment and subsequently violates any of the Retention Agreement's restrictive covenants during the applicable restrictive covenant period (as set forth in the Retention Agreements), then the executive will forfeit any unpaid portion of the Retention Payment and must immediately repay the full amount of the Retention Payment previously paid to the executive, less any taxes originally withheld by us from the payment.

The foregoing description of the Retention Agreements is qualified in its entirety by reference to the full text of the form of Retention Agreements, a copy of which is attached hereto as Exhibit 10.3 and is incorporated herein by reference.

Item 6. Exhibits

Exhibit Number	Description
3.1.1	Certificate of Incorporation of Tuesday Morning Corporation (the "Company") (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-4 (File No. 333-46017) as filed with the Securities and Exchange Commission (the "Commission") on February 10, 1998)
3.1.2	Certificate of Amendment to the Certificate of Incorporation of the Company dated March 25, 1999 (incorporated by reference to Exhibit 3.3 to the Company's Registration Statement on Form S-1/A (File No. 333-74365) as filed with the Commission on March 29, 1999)
3.1.3	Certificate of Amendment to the Certificate of Incorporation of the Company dated May 7, 1999 (incorporated by reference to Exhibit 3.1.3 to the Company's Form 10-Q (File No. 000-19658) as filed with the Commission on May 2, 2005)
3.2	Amended and Restated Bylaws of the Company dated September 16, 2014 (incorporated by reference to Exhibit 3.2 to the Company's Form 8-K (File No. 000-19658) as filed with the Commission on September 19, 2014)
10.1	Amendment, dated May 1, 2018, to Employment Agreement by and between Steven R. Becker and the Company†
10.2	Tuesday Morning Corporation Executive Severance Plan, effective May 1, 2018†
10.3	Form of Retention Agreement (Executive Officers other than Chief Executive Officer)†
31.1	Certification by the Chief Executive Officer of the Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification by the Chief Financial Officer of the Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of the Chief Executive Officer of the Company pursuant to 18 U.S.C §1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 *
32.2	Certification of the Chief Financial Officer of the Company pursuant to 18 U.S.C §1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 *
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Schema Document
101.CAL	XBRL Taxonomy Calculation Linkbase Document
101.DEF	XBRL Taxonomy Definition Linkbase Document
101.LAB	XBRL Taxonomy Label Linkbase Document
101.PRE	XBRL Taxonomy Presentation Linkbase Document

* The certifications attached hereto as Exhibit 32.1 and Exhibit 32.2 are furnished with this Quarterly Report on Form 10-Q and shall not be deemed "filed" by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

† Management contract or compensatory plan or arrangement

SIGNATURES

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

TUESDAY MORNING CORPORATION
(Registrant)

DATE: May 3, 2018

By: /s/ Stacie R. Shirley
Stacie R. Shirley
Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer and Principal Accounting Officer)

EXHIBIT 10.1

FIRST AMENDMENT TO EMPLOYMENT AGREEMENT

This First Amendment to Employment Agreement (this "***Amendment***") is entered into by and between Tuesday Morning Corporation (the "***Company***") and Steven R. Becker (the "***Executive***") effective as of the date set forth below for purposes of amending that certain Employment Agreement, dated December 11, 2015, by and between the Company and the Executive (the "***Agreement***"). Any terms used in this Amendment that are not specifically defined herein shall have the meaning specified in the Agreement.

WHEREAS, pursuant to Article V.M. of the Agreement, the provisions of the Agreement may be amended with the prior written consent of the Company and the Executive; and

WHEREAS, the parties desire to amend the Agreement's provisions governing the calculation of certain bonus amounts on termination of employment without cause to reflect, among other things, recent changes in the law; now, therefore

IT IS AGREED:

1. Article III.B.(iii)(b)(2) of the Agreement is hereby amended by deleting said provision in its entirety and substituting in lieu thereof the following new provision:

> In addition, the Company shall pay the Executive an amount equal to 1 times his Annual Bonus for the fiscal year of termination at the target performance level, payable at the same time as bonuses would otherwise be payable under the Company's bonus plan (as then in effect).

2. The first sentence of Article III.B.(iv) of the Agreement is hereby amended by adding the following clause to the end of said sentence:

and "1.5" shall be substituted in lieu of "1" in Article III.B.(iii)(b)(2).

3. Except as expressly amended by this Amendment, the Agreement shall continue in full force and effect in accordance with the provisions thereof.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the Company and the Executive have caused this Amendment to be executed and effective as of May 1, 2018.

THE COMPANY: **TUESDAY MORNING CORPORATION**

By: /s/ Stacie R. Shirley_____

Name:Stacie R. Shirley

Title: Executive Vice President, Chief Financial Officer and Treasurer

THE EXECUTIVE: /s/ Steven R. Becker_____
Steven R. Becker

EXHIBIT 10.2

TUESDAY MORNING CORPORATION
EXECUTIVE SEVERANCE PLAN
AND
SUMMARY PLAN DESCRIPTION

Effective May 1, 2018

TUESDAY MORNING CORPORATION

EXECUTIVE SEVERANCE PLAN
AND
SUMMARY PLAN DESCRIPTION

ARTICLE I. INTRODUCTION

Tuesday Morning Corporation (the "***Company***") hereby establishes and adopts the Tuesday Morning Corporation Executive Severance Plan (the "***Plan***"), effective as of May 1, 2018 (the "***Effective Date***"), to provide financial and transitional assistance to certain eligible Employees (as defined below) who separate from the Company or an Affiliate (as defined below) due to a termination of employment without Cause (as defined below) in order to assure the Company of the continued attention and dedication to duty of these Employees and to ensure the continued availability of service by these Employees during these periods. This Plan is intended to constitute an "employee welfare benefit plan," as defined in Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended.

Except as otherwise provided below, as of the Effective Date, the Plan replaces any and all severance pay plans, policies, practices, arrangements or programs, written or unwritten, that the Company may have had in effect for its employees from time to time prior to the Effective Date; any Employee who is eligible for this Plan whose employment is terminated on or after the Effective Date shall not be entitled to any severance benefits other than those set forth herein. Notwithstanding the foregoing, nothing in this Plan shall adversely affect the rights an individual Employee may have to severance payments under any written agreement executed by and between the Company and that Employee (a "***Severance Agreement***") and any Employee who is a party to a Severance Agreement that is in effect on the date he or she suffers a termination of employment shall not be entitled to receive severance benefits pursuant to this Plan that would be duplicative of any benefits such Employee is entitled to receive under his or her Severance Agreement. For purposes of clarity, severance payments for purposes of the foregoing sentence shall not include bonus payments (including, without limitation, retention bonus payments) that become eligible for payment in the event such Employee is terminated by the Company prior to the date such bonus would otherwise be paid.

ARTICLE II. DEFINITIONS

The words used in this Plan shall have the respective meanings set forth below unless the context clearly indicates otherwise. Except as otherwise indicated by the context, any masculine terminology used herein also includes the feminine and vice versa, and the definition of any term herein in the singular shall also include the plural, and vice versa.

Section 2.1 ***Administrator*** means the Compensation Committee.

Section 2.2 ***Affiliate*** means any Subsidiary or Parent of the Company that has been designated to participate in the Plan by the Administrator, and has adopted the Plan pursuant to Article V hereof.

Section 2.3 ***Appeals Administrator*** means an Appeals Committee of the Company, or, if the Claim for benefits hereunder affects a direct report of an Appeals Committee member, such entity or individual as may be designated by the Compensation Committee.

Section 2.4 ***Board*** means the Board of Directors of the Company.

Section 2.5 ***Cause*** means (i) willful misconduct with respect to or continued failure to perform the Employee's duties as an employee of the Company; (ii) indictment for a felony; (iii) commission of fraud, embezzlement, theft or other act involving dishonesty, or a crime constituting moral turpitude, in any case whether or not involving the Company, that, in the opinion of the Company, renders the Employee's continued employment harmful to the Company; (iv) breach or persistent breaches of any kind of the Company's employment policies (or the employment policies of any successor to the Company), as they may exist from time-to-time, which is not cured after 30 days prior written notice by the Company; and/or (v) violation by the Employee of the terms of any non-competition, non-disclosure or similar agreement with respect to the Company or any Affiliate to which the Employee is a party.

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Section 2.6 ***Change in Control*** shall have the meaning ascribed to such term in the Tuesday Morning Corporation 2014 Long-Term Incentive Plan, as amended.

Section 2.7 ***Change in Control Period*** means the eighteen (18) month period immediately following the closing date of a Change in Control.

Section 2.8 ***Claim*** means any claim, liability or obligation of any nature, arising out of or relating to this Plan or an alleged breach of this Plan or any Severance Benefit.

Section 2.9 ***Code*** means the Internal Revenue Code of 1986, as amended from time to time. References to any Section of the Internal Revenue Code shall include any successor provision thereto.

Section 2.10 ***Company*** means Tuesday Morning Corporation, its successors and assigns and Affiliates or Subsidiaries of the Company.

Section 2.11 ***Compensation Committee*** means the committee designated by the Board of Directors.

Section 2.12 ***Employee*** means any person paid through the payroll department of the Company (as opposed to the accounts payable department of the Company) and who receives from the Company an annual IRS Form W-2; provided, however, that the term "Employee" shall not include any person who has entered into an employment agreement, change-in-control agreement, independent contractor agreement, consulting agreement, franchise agreement or any similar agreement with the Company, nor the employees of any such person, regardless of whether that person (including his or her employees) is later found to be an employee by any court of law or regulatory authority.

Section 2.13 ***ERISA*** means the Employee Retirement Income Security Act of 1974, as amended.

Section 2.14 ***Executive*** means any Employee who is a senior vice president or other higher corporate Executive of the Company.

Section 2.15 ***Good Reason*** means, during the Change in Control Period, the Company, without the Executive's consent: (i) reduces the Executive's base salary to an amount that is materially less than the Executive's base salary immediately prior to the Change in Control Period; (ii) the Company materially reduces the Executive's authority, duties, or responsibilities with the Company; (iii) requires the Executive to have the Executive's principal work location changed to a location in excess of 50 miles from the Executive's principal work location immediately prior to the Change in Control Period. The foregoing events shall not constitute Good Reason unless the Executive delivers to the Company a written notice of Separation from Service for Good Reason specifying the alleged event constituting Good Reason within 90 days after the Executive first learns of the existence of the circumstances giving rise to Good Reason and

within 30 days following delivery of such notice and the Company has failed to cure the circumstances giving rise to Good Reason.

Section 2.16 ***Involuntary Termination*** means the Company causes an Executive's involuntary Separation from Service without Cause or, during the Change in Control Period, an Executive incurs a Separation from Service for Good Reason, provided that such termination (a) occurs within the 90 day period immediately after the initiation of discussions leading to termination, and (b) can be demonstrated to have occurred at the request or initiation of parties involved. An Involuntary Termination shall not include an Executive's Separation from Service due to his or her death, Total and Permanent Disability, resignation for any reason (other than with Good Reason during the Change in Control Period), retirement, or commencement of a leave of absence.

Section 2.17 ***Parent*** means an entity which directly or indirectly holds a majority of the voting power or profits or capital interest of the Company.

Section 2.18 ***Plan*** means the Tuesday Morning Corporation Executive Severance Plan.

Section 2.19 ***Separation from Service*** means a termination of services provided by an Employee to the Company whether voluntarily or involuntarily, other than for death, or Total and Permanent Disability, as determined by the Administrator in accordance with Treas. Reg. § 1.409A-1(h). In determining whether an Employee has experienced a Separation from Service, the following provisions shall apply:

(a) A Separation from Service shall occur when such Employee has experienced a termination of employment with the Company. An Employee shall be considered to have experienced a termination of employment when the facts and circumstances indicate that the Employee and the Company reasonably anticipate that either (i) no further services will be performed for the Company after a certain date, or (ii) that the level of bona fide services the Employee will perform for the Company after such date (whether as an employee or as an independent contractor) will permanently decrease to no more than twenty percent (20%) of the average level of bona fide services performed by such Employee (whether as an employee or an independent contractor) over the immediately preceding thirty-six (36) month period (or the full period of services to the Company if the Employee has been providing services to the Company less than thirty-six (36) months).

(b) If an Employee is on military leave, sick leave, or other bona fide leave of absence, the employment relationship between the Employee and the Company shall be treated as continuing intact, provided that the period of such leave does not exceed six (6) months, or if longer, so long as the Employee retains a right to reemployment with the Company under an applicable statute or by contract. If the period of a military leave, sick leave, or other bona fide leave of absence exceeds six (6) months and the Employee does not retain a right to reemployment under an applicable statute or by contract, the employment relationship shall be considered to be terminated for purposes of this Plan as of the first day immediately following the end of such six (6) month period. In applying the provisions of this Section 2.19, a leave of absence shall be considered a bona fide leave of absence only if there is a reasonable expectation that the Employee will return to perform services for the Company.

Section 2.20 ***Severance Benefit*** means a benefit to which an Employee may become entitled pursuant to Article III hereof.

Section 2.21 ***Severance Period*** means the number of months that an Executive's Severance Benefits are payable, which shall equal the number of months of cash Severance Benefits that an Executive is eligible to receive under the Plan (for instance, if an Executive's severance factor set forth in Exhibit A is .5, then such Executive's Severance Period would be six months). Notwithstanding the foregoing, an Executive's Severance Period shall terminate immediately, and such Executive shall not be entitled to any additional payments under the Plan on the date such Executive fails to comply with the provisions of any written agreement in effect between the Executive and the Company or a Subsidiary that contains non-competition, confidentiality and/or non-solicitation provisions.

Section 2.22 ***Specified Employee*** means any Employee who is determined to be a "key employee" (as defined under Section 416(i)) of the Code without regard to paragraph (5) thereof) for the applicable period, as determined annually by the Administrator in accordance with Treas. Treas. Reg. § 1.409A-1(i). In determining whether an Employee is a Specified Employee, the following provisions shall apply:

(a) The Administrator's identification of the individuals who fall within the definition of "key employee" under Section 416(i) of the Code (without regard to paragraph (5) thereof shall be based upon the twelve (12) month period ending on each December 31st (referred to below as the "identification date"). In applying the applicable provisions of Section 416(i) of the Code to identify such individuals, "compensation" shall be determined in accordance with Treas. Reg. § 1.415(c)-2 (a) without regard to (i) any safe harbor provided in Treas. Reg. § 1.415(c)-2(d), (ii) any of the special timing rules provided in Treas. Reg. § 1.415(c)-2(e), and (iii) any of the special rules provided in Treas. Reg. § 1.415(c)-2(g); and

(b) Each Employee who is among the individuals identified as a "key employee" in accordance with part (a) of this Section 2.22 shall be treated as a Specified Employee for purposes of this Plan if such Employee experiences a Separation of Service during the 12 month period that begins on the April 1st following the applicable identification date.

Section 2.23 ***Subsidiary*** means any entity in which the Company, directly or indirectly, holds a majority of the voting power or profits or capital interest of such entity.

Section 2.24 ***Total and Permanent Disability*** means, with respect to an Executive, that he or she is considered to have a disability that entitles such Executive to receive long-term disability benefits under the Company's long-term disability ("***LTD***") insurance plan or policy; provided, that in the event that the Executive is not being covered as an employee at the time of the Executive's impairment under such LTD plan or policy, then "Total and Permanent Disability" shall mean that the Executive is considered to have a disability that entitles the Executive to receive benefits from the U.S. Social Security Administration.

ARTICLE III: ELIGIBILITY AND BENEFITS

Section 3.1 ***Eligibility for Severance Benefits*.**

(a) An Executive shall be entitled to receive a Severance Benefit (in accordance with Section 3.2), a Benefits Continuation Payment (in accordance with Section 3.3) and Outplacement Benefits (in accordance with Section 3.4) only if the Administrator, in its reasonable discretion, determines that:

(i) the Executive's employment with the Company or an Affiliate has been terminated as the result of an Involuntary Termination.

(ii) the Severance Benefit described herein is not otherwise duplicative of payments already owed to the Executive under an employment, pre-existing retention, severance, change-in-control, or other special compensation agreement or pursuant to any applicable laws.

(iii) the Executive has not otherwise received and accepted an offer of employment with (A) the Company, (B) an Affiliate, (C) another company providing services to the Company or an Affiliate, or (D) any other company that entered into an agreement with the Company or an Affiliate to purchase, acquire, or transfer the stock or assets of the Company, an Affiliate, or a group, function or part of the Company or an Affiliate.

(iv) the Executive has not otherwise declined an offer of employment, the terms of which would have permitted the Executive to continue employment within 50 miles of the location in which the Executive performed substantially all of his or her services immediately prior to the Involuntary Termination, with (A) the Company, (B) an Affiliate, (C) another company providing services to the Company or an Affiliate, or (D) any other company that entered into an agreement with the Company or an Affiliate to purchase, acquire, or transfer the stock or assets of the Company, an Affiliate, or a group, function or part of the Company or an Affiliate; provided, that if such Executive's Separation from Service occurs during the Change in Control Period, the Executive shall not be required to accept such offer of employment if the terms of such offer would constitute Good Reason and the Executive has complied with the requirements of the Plan to trigger a Separation from Service for Good Reason.

(v) the Executive continues to comply with the provisions of any written agreement in effect between the Executive and the Company (or any of its Affiliates) that contains non-competition, confidentiality and/or non-solicitation provisions.

(vi) the Executive has executed and timely provided to the Administrator the Company's standard form of release not to sue (a copy of which is available for review from the Administrator upon request) within 30 days of the Employee's Separation from Service (or such longer period that is required by applicable law) (the "***Release***").

(b) Notwithstanding anything herein to the contrary, if an Executive has otherwise satisfied the criteria described in Section 3.1(a) above and is rehired by the Company or an Affiliate, such Executive's entitlement to further Severance Benefit payments shall cease immediately, unless the Administrator, in its sole and absolute discretion, determines that the relationship between the former Executive and the Company or Affiliate for whom services are being provided constitutes a non-employee consulting relationship and that continued payment of such benefits is permitted by applicable law without adverse consequences to either the Company or the Executive, including, without limitation, Section 409A of the Code, as determined by the Administrator in its sole discretion. Regardless of the nature of a former Executive's relationship with the Company or Affiliate, if such former Executive provides services to or for the Company or an Affiliate following an Involuntary Termination, such former Employee shall not be obligated to repay any Severance Benefits that have been paid pursuant to this Plan.

Section 3.2 ***Severance Benefits***.

(a) Severance benefits payable to an Executive who has satisfied the applicable requirements reflected in Section 3.1 above shall be based upon the amounts determined in Section

3.2(b) below and, except as otherwise provided by this Section 3.2, shall be paid in substantially equal installments in accordance with the Company's regular payroll procedures for the Executive's Severance Period, with the first payment beginning on the first payroll date immediately following the date that the Release becomes irrevocable; provided, however, that if the period of time described in Section 3.1(a)(vi) for returning the Release begins in one taxable year and ends in a second taxable year, such payment shall not commence until the first payroll date in the second taxable year. Notwithstanding the foregoing, if the Executive is a Specified Employee, to the extent any amount payable pursuant to this Section 3.2 is subject to, and not otherwise exempt from the requirements of Section 409A of the Code, then to the extent required to comply with Section 409A of the Code, no payment of such amount shall be made before the first day after the end of the six (6) month period immediately following the date on which the Executive experiences a Separation from Service, or if earlier, on the date of the Executive's death.

(b) Except as otherwise provided by this Section 3.2, the amount of each Executive's Severance Benefit shall equal (i) the severance factor set forth in the Severance Pay Table in Exhibit A that corresponds to the Executive's position, multiplied by the Executive's annual base salary (excluding all bonuses and financial perquisites) immediately prior to the Executive's Separation from Service; provided, however, that if an Executive is on an approved short-term disability leave or on designated leave pursuant to the Family and Medical Leave Act or other similar law, such Executive's severance benefits shall be based upon the Executive's salary immediately preceding the inception of the leave.

(c) Notwithstanding anything to the contrary contained herein, in the event an Executive's Separation from Service occurs during the Change in Control Period, the amount of each Executive's Severance Benefit shall be calculated using the Change in Control severance factor set forth in the Severance Pay Table in Exhibit A, and shall be payable in a lump sum on the first date such Severance Benefit would have otherwise been payable under Section 3.2(a) above.

(d) Each amount that is paid to an Employee pursuant to this Section 3.2 shall be treated as a separate payment for purposes of Section 409A of the Code and shall be subject to all applicable income and employment tax withholdings.

Section 3.3 ***Continuation of Benefits***. An Executive who incurs a Separation from Service will have the right to choose the continuation of any applicable group health benefit coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("***COBRA***"). If any such Executive timely elects to continue such Executive's coverage pursuant to COBRA and has also satisfied the applicable requirements reflected in Section 3.1 above, then in addition to any amounts payable to such Executive under Section 3.2 and provided such Executive timely executes and does not revoke the Release, the Company shall pay the Executive during each month until the end of such Executive's Severance Period (or, if earlier, until such Executive's COBRA coverage terminates for any reason) an additional cash payment equal to the employer-portion of the premiums paid by the Company for an active employee during each such month, with the first payment commencing on the date that the payment of the Severance Benefits under Section 3.2(a) commence, less all required taxes and withholdings. For purposes of clarity, each Executive shall be solely responsible for electing and paying the premiums for any COBRA benefits.

Section 3.4 ***Outplacement Benefits.*** Any Executive who has satisfied the applicable requirements reflect in Section 3.1 above and who has timely executed and not revoked the Release shall be eligible to receive outplacement counseling services from an outplacement firm selected by the Company during such Executive's Outplacement Period, as set forth on Exhibit A hereto.

ARTICLE IV: CLAIMS PROCEDURES

Section 4.1 ***Initial Claim***. If an individual makes a written request alleging a right to receive benefits under this Plan or alleging a right to receive an adjustment in benefits being paid under the Plan, the Administrator shall treat it as a Claim for benefits. All Claims for benefits under the Plan shall be sent in writing to the Administrator and must be received within 30 days after the effective date of the eligible Employee's termination of employment. If the Administrator, in its sole and absolute discretion, determines that a claimant is not entitled to receive all or any part of the benefits claimed, the Administrator will inform the claimant in writing of its determination and an explanation regarding the reason for its determination.

Section 4.2 ***Initial Claim Determination*.**

(a) Once the Administrator makes a determination regarding a Claim, the Administrator will send, by means of the U.S. mail, hand delivery or e-mail, a written notice providing:

(i) the Administrator's determination,

(ii) the basis for the determination (along with appropriate references to pertinent provisions on which the denial is based),

(iii) a description of any additional material or information necessary to perfect the Claim and an explanation of why such material is necessary, and

(iv) the procedure that must be followed to obtain a review of the determination, including a description of the appeals procedure and how to bring a civil action for benefits under section 502(a) of ERISA.

(b) The initial Claim determination notice described above will be provided within a reasonable period of time, but no later than 90 days from the day the Administrator received the Claim, unless grounds for an extension (reflected in Section 4.2(c) below) exist.

(c) Grounds for an extension may arise in certain instances when the Administrator, for reasons beyond its control, cannot make a determination within the initial 90-day period. In such situations, the Administrator, acting in its sole and absolute discretion, may extend the initial 90-day period for up to an additional 90 days (for a total of 180 days); provided the Administrator:

(i) determines that an extension is necessary due to matters beyond its control, and

(ii) provides the claimant with written notice (which may be communicated by mail, hand delivery, or e-mail) prior to the expiration of the initial determination period that:

(A) an extension is necessary,

(B) the reason for the extension, and

(C) when a determination is expected to be rendered.

Section 4.3 ***Appeal of a Denied Claim*.**

(a) If a Claim for benefits is denied, either in whole or in part, and the claimant wants to contest such denial, the claimant must appeal the Administrator's denial by requesting a review of the Claim by the Appeals Administrator. A claimant has the following rights if a Claim for benefits is denied (whether in whole or in part):

(i) an opportunity to request an appeal,

(ii) the ability to submit written comments, documents, records and other information in connection with the appeal, and

(iii) reasonable access to, and copies of, all documents, records, and other information relevant to the denied Claim at no charge.

(b) If a claimant chooses to file an appeal of a Claim that was denied in whole or in part, the request for review must be received within 60 days of the date in which the claimant received notice from the Administrator indicating that the initial Claim was denied.

(c) The review of an initial adverse determination by the Appeals Administrator will take into account all comments, documents, records and other information that has been submitted, without regard to whether such information was submitted and considered by the Administrator in the initial determination.

(d) In reviewing appeals, no deference will be given to an initial adverse benefit determination by the Administrator, and the review itself will be conducted by an appropriate named fiduciary who is neither the individual who made the adverse benefit determination that is the subject of the appeal nor the subordinate of such individual.

(e) If, following an appeal, a Claim is denied, either in whole or in part, after a review of the appeal and any additional information that a claimant has submitted, a notice containing the following information (which will be provided in writing by U.S. mail, hand delivery, or e-mail) will be provided within a reasonable period of time, but not later than 60 days from the date that a request for a review was received, unless grounds for an extension reflected in Section 4.3(f) below exist:

(i) the specific reason or reasons for the decision, including any adverse determinations,

(ii) references to the specific provisions on which the determination was based,

(iii) a statement describing how to request reasonable access to, and copies of, all documents, records, and other information that is relevant to the denied Claim (free of charge),

(iv) a description of any voluntary appeals procedure, if any, and how to obtain information about such procedure, and

(v) the ability to bring a cause of action for benefits under section 502(a) of ERISA.

(f) Grounds for an extension may arise in certain instances when, due to events beyond the Appeals Administrator's control, a decision cannot be made within the initial 60-day period. In such situations, the initial 60-day period may be extended for up to an additional 60 days (for a total of 120 days); provided:

(i) a determination is made that an extension is necessary due to matters beyond the Appeals Administrator's control, and

(ii) the claimant is provided with written notice (which may be communicated by mail, hand delivery, or e-mail) prior to the expiration of the initial determination period that:

(A) an extension is necessary,

(B) the reason for the extension, and

(C) when a determination is expected to be rendered.

ARTICLE V: ADOPTION OF THE PLAN BY AFFILIATES

This Plan may be adopted by any Affiliate if the Compensation Committee or its delegate approves such adoption. Upon such adoption, the provisions of the Plan shall be fully applicable to the Employees of that Affiliate. At any time that an Affiliate ceases to qualify as an Affiliate, it shall no longer be eligible to participate hereunder and any Employees in its employ shall no longer be eligible to receive benefits under this Plan.

ARTICLE VI: DURATION, AMENDMENT AND TERMINATION

Section 6.1 ***Duration***. This Plan shall continue in full force and effect from the Effective Date until terminated by action of the Compensation Committee or its delegate.

Section 6.2 ***Termination and Amendment***. Although the Company hopes and expects to continue the Plan, the Plan may be amended, changed, replaced, extended or terminated by the Compensation Committee or its delegate at any time, in its sole and absolute discretion. The Compensation Committee or its delegate shall have full authority to amend any provision of the Plan to reduce, eliminate or alter benefits payable hereunder, or to alter, in any way, the criteria for eligibility to participate herein.

Section 6.3 ***Form of Amendment***. The form of any Amendment of the Plan shall be a written instrument signed by any person authorized to sign by the Compensation Committee or its delegate. An Amendment of the Plan in accordance with the terms hereof shall automatically effect a corresponding amendment to the rights of all Employees hereunder.

ARTICLE VII: MISCELLANEOUS

Section 7.1 ***Employment Status***. This Plan does not constitute a contract of employment or impose upon the Company or any Affiliate any obligation to retain the Employee as an employee, to change or not change the status of the Employee's employment, or to change the Company's policies or those of its Affiliates regarding termination of employment.

Section 7.2 ***Validity and Severability***. The invalidity or unenforceability of any provision of the Plan shall not affect the validity or enforceability of any other provision of the Plan, which shall remain

in full force and effect, and any prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 7.3 ***Indemnification of Administrator and Board.*** No member of the Board or the Compensation Committee, nor the Administrator, any Executive or Employee of the Company acting on behalf of the Board or the Compensation Committee, shall be personally liable for any action, determination, or interpretation taken or made in good faith with respect to the Plan, and all members of the Board and the Compensation Committee, each Executive, and each Employee of the Company acting on behalf of the Board or the Compensation Committee shall, to the extent permitted by law, be fully indemnified and protected by the Company in respect of any such action, determination, or interpretation to the fullest extent provided by law. Except to the extent required by any unwaiveable requirement under applicable law, no member of the Board or the Compensation Committee (and no Affiliate) shall have any duties or liabilities, including without limitation any fiduciary duties, to any Executive (or any person claiming by and through any Executive) as a result of this Plan, any Severance Benefit or any Claim arising hereunder.

Section 7.4 ***Governing Law***. To the extent not preempted by ERISA, the Plan shall be governed by, construed, and enforced in accordance with the laws of the State of Texas (excluding any conflict of laws, rule or principle of Texas law that might refer the governance, construction, or interpretation of this Plan to the laws of another state). An Executive's sole remedy for any Claim shall be against the Company, and no Executive shall have any claim or right of any nature against any Affiliate or any stockholder or existing or former director, Executive or Employee of the Company or any Affiliate. The individuals and entities described above in this Section 7.4 (other than the Company) shall be third-party beneficiaries of this Plan for purposes of enforcing the terms of this Section 7.4.

Section 7.5 ***Funding***. The Plan is funded through the general assets of the Company and all payments of Severance Benefits with respect to a particular Employee shall be paid from the general assets of the Company. Neither the Company nor the Administrator shall have any obligation to establish a trust or fund for the payment of benefits under the Plan or to insure any of the benefits under the Plan. None of the Executives, members of the Board of Directors, or agents of the Company, any Affiliate or the Administrator guarantees in any manner the payment of benefits hereunder.

Section 7.6 ***Authority of the Administrator***. The Administrator, in its discretion, shall (i) interpret the Plan, (ii) prescribe, amend, and rescind any rules and regulations, as necessary or appropriate for the administration of the Plan, and (iii) make such other determinations or certifications and take such other action as it deems necessary or advisable in the administration of the Plan. Any interpretation, determination, or other action made or taken by the Administrator shall be final, binding, and conclusive on all interested parties. The Administrator's discretion set forth herein shall not be limited by any provision of the Plan, including any provision which by its terms is applicable notwithstanding any other provision of the Plan to the contrary. The Administrator may delegate to employees of the Company, pursuant to a written delegation, the authority to perform specified functions under the Plan. Any actions taken by any employees of the Company pursuant to such written delegation of authority shall be deemed to have been taken by the Committee.

Section 7.7 ***Section 409A of the Code.*** The Company intends for this Plan, and any payments made pursuant to this Plan, to be exempt from the requirements of Section 409A of the Code as "short-term deferrals" within the meaning of Treasury Regulation Section 1.409A-1(b)(4) and the Administrator shall interpret this Plan at all times in accordance with such intent.

ARTICLE VIII: ERISA RIGHTS STATEMENT

As an Employee in this Plan, you are entitled to certain rights and protection under ERISA. ERISA provides that all plan participants shall be entitled to:

Receive Information About Your Plan and Benefits

Examine, without charge, at the plan administrator's office and at other specified locations, such as worksites and union halls, all documents governing the plan, including insurance contracts and collective bargaining agreements, and a copy of the latest annual report (Form 5500 Series) filed by the plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.

Obtain, upon written request to the plan administrator, copies of documents governing the operation of the plan, including insurance contracts and collective bargaining agreements, and copies of the latest annual report (Form 5500 Series) and updated summary plan description. The administrator may make a reasonable charge for the copies.

Receive a summary of the plans' annual financial report. The plan administrator is required by law to furnish each participant with a copy of this summary annual report.

Prudent Actions by Plan Fiduciaries

In addition to creating rights for plan participants ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate your plan, called "fiduciaries" of the plan, have a duty to do so prudently and in the interest of you and other plan participants and beneficiaries. No one, including your employer, your union, or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a benefit or exercising your rights under ERISA.

Enforce Your Rights

If your Claim for a benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of the plan documents or the latest annual report from the plan and do not receive them within 30 days, you may file suit in a Federal court. In such a case, the court may require the plan administrator to provide the materials and pay you up to $110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the administrator. If you have a Claim for benefits which is denied or ignored, in whole or in part, and you disagree with that denial, you must file an appeal of that denial in accordance with the claims procedures described in Article IV above. After your appeal is denied in accordance with the claims procedures, you may file suit in a state or Federal court. In addition, if you disagree with the plan's decision or lack thereof concerning the qualified status of a domestic relations order or a medical child support order, you may file suit in Federal court. If it should happen that plan fiduciaries misuse the plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court. The court will decide who should pay court costs and legal fees. If you are successful the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it determines that your claim is frivolous.

Assistance with Your Questions

If you have any questions about your plan, you should contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

ARTICLE IX: GENERAL INFORMATION

Section 9.1 ***Official Plan Name*.** Tuesday Morning Corporation
Executive Severance Plan

Section 9.2 ***Plan Sponsor and Plan Administrator*.** Tuesday Morning Corporation

(___)

Section 9.3 ***The Company Identification***.

Section 9.4 ***Plan Number*.**

Section 9.5 ***Plan Year*.** January 1 through December 31

Section 9.6 ***Type of Plan*.** Welfare benefit plan providing severance benefits to certain employees in the event of a termination without Cause or a termination with Good Reason during the Change in Control Period.

Section 9.7 ***Type of Administration*.** The Plan is administered by the Plan Administrator.

Section 9.8 ***Claims Administrator*.** The Plan Administrator for Tuesday Morning Corporation Executive Severance Plan:

Tuesday Morning Corporation
[Title]

(___)

Section 9.9 ***Agent for Service of Legal Process*.** Tuesday Morning Corporation
[Title]

(___)

Section 9.10 ***Funding*.** The Plan is funded through the general assets of the Company.

IN WITNESS WHEREOF, the Company has caused this instrument to be executed this 1st day of May, 2018.

TUESDAY MORNING CORPORATION

/s/ Steven R. Becker _____
Name: Steven R. Becker
Title: Chief Executive Officer

EXHIBIT A

SEVERANCE PAY TABLE

Executive's Position	Severance Factor	Change in Control Severance Factor	Outplacement Period
President/EVP	1.5	2	6 months
SVP	1	1.5	6 months

EXHIBIT 10.3

RETENTION AGREEMENT

This RETENTION AGREEMENT (this "***Agreement***") is made effective as of _____ __, 2018 (the "***Effective Date***") by and between Tuesday Morning Corporation, a Delaware corporation ("***Tuesday Morning***"), and _____ (the "***Employee***"). The Company and the Employee are referred to herein individually as a "***Party***" and together as the "***Parties***".

RECITALS

WHEREAS, the Company (as defined below) currently employs the Employee; and

WHEREAS, the Company believes it is in its best interests to pay the Employee additional compensation to induce the Employee to continue to provide services to the Company through January 1, 2019 (the "***First Retention Date***") and through January 1, 2020 (the "***Second Retention Date,***" together with the First Retention Date referred to herein as the "***Retention Dates***"), and the Employee desires to continue to provide services to the Company through each of the Retention Dates.

NOW, THEREFORE, in consideration of the mutual promises set forth herein, and other good and valuable consideration, the sufficiency of which is hereby acknowledged, the Parties hereto agree as follows:

1. Term. Except as otherwise provided by Section 10 below, the provisions set forth in this Agreement shall be in effect for a period commencing on the Effective Date set forth above and shall continue through the first to occur of: (a) the payment of the amounts described in Section 3 below; and (b) termination of the Employee's employment by the Employee for any reason or termination of the Employee's employment by the Company for Cause (as defined below). Except as otherwise provided in Section 3 below, upon termination of this Agreement pursuant to subclause (b) of the immediately preceding sentence, the Employee shall not be entitled to any payments pursuant to this Agreement.

2. Definitions. For purposes of this Agreement, the following terms shall have the meanings ascribed thereto:

(a) "***Board***" means the board of directors of Tuesday Morning.

(b) "***Company***" means Tuesday Morning Corporation, a Delaware corporation, and Tuesday Morning, Inc., or any of their respective parents, subsidiaries or affiliates, as applicable.

(c) "***Cause***" means (i) willful misconduct with respect to the Employee's duties as an employee of the Company; (ii) indictment for a felony; (iii) commission of fraud, embezzlement, theft or other act involving dishonesty, or a crime constituting moral turpitude, in any case whether or not involving the Company, that, in the opinion of the Company, renders the Employee's continued employment harmful to the Company; (iv) breach or persistent breaches of any kind of the Company's employment policies (or the employment policies of any successor to the Company), as they may exist from time-to-time, which is not cured after 30 days prior written notice by the Company; and/or (v) violation by the Employee of the terms of any non-competition, non-disclosure or similar agreement with respect to the Company to which the Employee is a party, including, without limitation, the provisions of Section 5, 6, 7 or 8 of this Agreement.

(d) "***Change in Control***" shall have the meaning ascribed to such term in the Tuesday Morning Corporation 2014 Long-Term Incentive Plan, as amended.

(e) "***Change in Control Period***" means the 18-month period immediately following the closing date of a Change in Control.

(f) "***Good Reason***" means, during the Change in Control Period, the Company, without the Employee's consent: (i) reduces the Employee's base salary to an amount that is materially less than the Employee's base salary immediately prior to the Change in Control Period; (ii) materially reduces the Employee's authority, duties, or responsibilities with the Company; (iii) requires the Employee to have the Employee's principal work location changed to a location in excess of 50 miles from the Employee's principal work location immediately prior to the Change in Control Period. The foregoing events shall not constitute Good Reason unless the Employee delivers to the Company a written notice of termination of employment for Good Reason specifying the alleged event constituting Good Reason within 90 days after the Employee first learns of the existence of the circumstances giving rise to Good Reason and within 30 days following delivery of such notice and the Company has failed to cure the circumstances giving rise to Good Reason.

(g) "***Total and Permanent Disability***" shall have the meaning ascribed to such term in the Tuesday Morning Corporation 2014 Long-Term Incentive Plan, as amended.

3. Retention Payment.

(a) The Employee agrees to remain employed with the Company through each of the Retention Dates and to keep information confidential in accordance with Section 5 below and to comply with the provisions of Sections 6, 7, 8, and 9 below. As consideration for the Employee's agreements herein, the Company agrees to pay the Employee [$_____] (the "***Retention Payment***"), less all applicable payroll and other tax withholdings, in accordance with the following schedule: (i) 30% of the Retention Payment on the next regularly scheduled payroll date following the First Retention Date, and (ii) 70% of the Retention Payment on the Company's next regularly scheduled payroll date following the Second Retention Date. Notwithstanding the foregoing, if the Employee's employment with the Company is terminated prior to either Retention Date by the Company without Cause or due to the Employee's death or Total and Permanent Disability or by the Employee with Good Reason during the Change in Control Period, then the Company shall pay the unpaid portion, if any, of the Retention Payment to the Employee (or to his or her estate) on the Company's next regularly scheduled payroll date following the date the Employee returns a validly executed, irrevocable Release (as defined below) in accordance with Section 3(b) below; provided, however, that in the event the time period for the Employee to return a Release, plus the expiration of the applicable revocation period, begins in one taxable year and ends in a second taxable year, payment of the Retention Payment will not be made until the second taxable year. In addition, if a Change in Control occurs (i) before the First Retention Date, 100% of the Retention Payment shall be paid on the First Retention Date, provided that the Employee is employed by the Company on the First Retention Date, or (ii) after the First Retention Date but before the Second Retention Date, and the Employee is employed by the Company on the closing date of such Change in Control, then the Company shall pay the full amount of any unpaid portion of the Retention Payment to the Employee on the closing date of the Change in Control.

(b) Notwithstanding the foregoing, the Retention Payment shall not be due and payable upon a termination of the Employee's employment as described in Section 3(a) above unless, within 30 days following the date of the Employee's termination of employment by the Company without Cause or due to the Employee's death or Total and Permanent Disability (or such

greater time period as may be required by law), the Employee (or, in the event of the Employee's death, the representative of his or her estate) has executed and timely delivered to the Company a release of claims in the form as is reasonably satisfactory to the Company (a "***Release***") and any applicable revocation periods have expired. The entire Retention Payment shall be immediately forfeited, and the Company shall have no obligation to pay any portion of the Retention Payment to, or on behalf of, the Employee under this Agreement if (i) the Employee (or, in the event of the Employee's death, the representative of his or her estate) refuses to sign, or fails to timely return, a Release, or (ii) the Employee violates any of the provisions of Sections 5 – 9 below.

4. Repayment Obligation. In the event the Employee is paid any portion of the Retention Payment pursuant to Section 3 above and the Employee violates the provisions of Section 5, 6 or 7 below during the Restrictive Covenant Period (as defined in Section 7(a) below), the Employee acknowledges, understands, and agrees that immediately upon such violation, the Employee must repay the Company an amount equal to the full amount of any portion of the Retention Payment (less any taxes originally withheld by the Company from such payment) previously paid to the Employee. The Employee further acknowledges, understands, and agrees that the Company shall be entitled to deduct from any other compensation payable to the Employee any amounts that the Employee is required to pay in accordance with this Section 4. The Employee's repayment obligation under this Section 4 shall survive termination of this Agreement.

5. Confidential Information and Non-Disclosure Obligations.

(a) During the Employee's employment with the Company, the Company shall provide the Employee otherwise prohibited access to certain of its Confidential Information which is not known to the Company's competitors or within the Company's industry generally, which was developed by the Company over a long period of time and/or at its substantial expense, and which is of great competitive value to the Company. For purposes of this Agreement, "***Confidential Information***" includes all trade secrets and confidential and proprietary information of the Company, including, but not limited to, the following: all documents or information, in whatever form or medium, concerning or relating to the Company's operations; procedures; computer systems; customer information; methods of doing business; merchandise; marketing plans and methods; financial and accounting information; policies and practices; product information and strategy; project and prospect locations and leads; developmental or experimental work; research; development; know-how; technical data; designs; plans for research or future products; improvements; discoveries; database schemas or tables; development tools or techniques; finances; business plans; sales plans and strategies; budgets; pricing and pricing strategies and techniques; costs; customer and client lists and profiles; customer and client nonpublic personal information; supplier lists; business records; audits; management methods and information; reports, recommendations and conclusions; business practices; strategies; training manuals; vendors; suppliers; contractual relationships; and other business information disclosed or made available to the Employee by the Company, either directly or indirectly, in writing, orally, or by drawings or observation, that is not known to the public or any of the Company's competitors or within the Company's industry generally, which was developed by the Company at its expense, and which is of value to the Company. Confidential Information prepared or compiled by the Employee and/or the Company or furnished to the Employee during the Employee's employment with the Company shall be the sole and exclusive property of the Company, and none of such Confidential Information or copies thereof, shall be retained by the Employee. The Employee acknowledges that the Company does not voluntarily disclose Confidential Information, but rather takes precautions to prevent dissemination of Confidential Information beyond those employees such as the Employee entrusted with such information. The Employee further acknowledges that the Confidential Information: (i) is entrusted to the Employee because of the Employee's position with the

Company; and (ii) is of such value and nature as to make it reasonable and necessary for the Employee to protect and preserve the confidentiality and secrecy of the Confidential Information. The Employee acknowledges and agrees that the Confidential Information is a valuable, special, and a unique asset of the Company, the disclosure of which could cause substantial injury and loss of profits and goodwill to the Company. While the Employee may not disclose any such Confidential Information, the Employee has the right to discuss wages, benefits or other terms and conditions of employment. Nothing in this Agreement, including the definition of "Confidential Information" above and the nondisclosure requirements in Section 5(b) is intended to restrict the Employee's right to have such discussions.

(b) The Employee shall hold all Confidential Information in strict confidence. The Employee shall not, during the period of the Employee's employment or at any time thereafter, disclose to anyone, or publish, use for any purpose, exploit, or allow or assist another person to use, disclose or exploit, except for the benefit of the Company, without prior written authorization, any Confidential Information or part thereof, except as permitted: (i) in the ordinary course of the Company's business or the Employee's work for the Company; or (ii) by law. The Employee shall use all reasonable precautions to assure that all Confidential Information is properly protected and kept from unauthorized persons. Further, the Employee shall not directly or indirectly, use the Company's Confidential Information or information regarding the names, contact information, skills and compensation of employees and contractors of the Company to: (i) call upon, solicit business from, attempt to conduct business with, conduct business with, interfere with or divert business away from any customer, client, vendor or supplier of the Company with whom or which the Company conducted business within the eighteen (18) months prior to the Employee's termination from employment with the Company; and/or (ii) recruit, solicit, hire or attempt to recruit, solicit, or hire, directly or by assisting others, any persons employed by or associated with the Company. The Employee agrees that the Employee shall take all steps necessary to safeguard all Confidential Information and prevent its wrongful use, disclosure, or dissemination of any other person or entity. The Employee further agrees that in the event the Employee is subpoenaed, served with any legal process or notice or otherwise requested to produce or divulge, directly or indirectly, any Confidential Information by any entity, agency, or person in any formal or informal proceeding including, but not limited to, any interview, deposition, administrative or judicial hearing and/or trial, and upon the Employee's receipt of such subpoena, process, notice or request, the Company requests that the Employee notify and deliver via overnight delivery service a copy of the subpoena, process, notice or other request to: the Company's General Counsel at 6250 LBJ Freeway, Dallas, Texas 75240.

(c) The Employee shall immediately notify the Company's General Counsel if the Employee learns of or suspects any unauthorized disclosure of Confidential Information concerning the Company.

(d) The Employee agrees that the Employee shall not use or disclose any confidential or trade secret information belonging to any former employer or third party, and the Employee shall not bring onto the premises of the Company or onto any Company property, any confidential or trade secret information belonging to any former employer or third party without such third parties' consent.

(e) During the Employee's employment, the Company will receive from third parties their confidential and/or proprietary information, subject to a duty on the Company's part to maintain the confidentiality of and to use such information only for certain limited purposes. The Employee agrees to hold all such confidential or proprietary information in the strictest confidence and not to disclose it to any person or organization or to use it except as necessary in the course of

the Employee's employment with the Company and in accordance with the Company's agreement with such third party.

(f) Notwithstanding the foregoing or any other agreement regarding confidentiality with the Company, the Employee may disclose Confidential Information when required to do so by a court of competent jurisdiction, by any governmental agency having authority over the Employee or the business of the Company or by any administrative body or legislative body (including a committee thereof) with jurisdiction to order the Employee to divulge, disclose or make accessible such information. Nothing in this Agreement is intended to interfere with the Employee's right to (i) report possible violations of state or federal law or regulation to any governmental agency or entity, (ii) make other disclosures that are protected under the whistleblower provisions of state or federal law or regulation, (iii) file a claim or charge with any government agency or entity, or (iv) testify, assist, or participate in an investigation, hearing, or proceeding conducted by any government or law enforcement agency, entity or court.

(g) The Employee is hereby notified in accordance with the Defend Trade Secrets Act of 2016 that the Employee will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (i) is made (A) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (B) solely for the purpose of reporting or investigating a suspected violation of law, or (ii) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. The Employee is further notified that if the Employee files a lawsuit for retaliation against the Company for reporting a suspected violation of law, the Employee may disclose the Company's trade secrets to the Employee's attorney and to use the trade secret information in the court proceeding if the Employee (x) files any document containing the trade secret under seal; and (y) does not disclose the trade secret, except pursuant to court order.

(h) Upon the termination of the Employee's employment for any reason, the Employee shall immediately return and deliver to the Company any and all Confidential Information, software, devices, cell phones, personal data assistants, credit cards, data, reports, proposals, lists, correspondence, materials, equipment, computers, hard drives, papers, books, records, documents, memoranda, manuals, e-mail, electronic or magnetic recordings or data, including all copies thereof, which belong to the Company or relate to the Company's business and which are in the Employee's possession, custody or control, whether prepared by the Employee or others. If at any time after termination of the Employee's employment the Employee determines that the Employee has any Confidential Information in the Employee's possession or control, the Employee shall immediately return to the Company all such Confidential Information in the Employee's possession or control, including all copies and portions thereof.

6. Non-Disparagement. The Employee agrees that, unless permitted by law, the Employee will not make any disparaging statements or representations, either directly or indirectly, whether orally or in writing, to any person whatsoever, about the Company, its operations, business practices and/or products. For purposes of this Section 6, a disparaging statement or representation is any communication which, if publicized to another, would cause the recipient of the communication to question the business condition, integrity, competence, good character or product quality of the Company.

7. Restrictive Covenants. In Section 5, the Company promised to provide the Employee certain Confidential Information. The Employee recognizes and agrees that: (i) the Company has devoted a considerable amount of time, effort, and expense to develop its Confidential Information and business goodwill; (ii) the Company's Confidential Information and business goodwill are valuable assets to the Company; and (iii) any unauthorized use or disclosure of the Confidential Information would cause

irreparable harm to the Company for which there is no adequate remedy at law, including damage to the Company's business goodwill. To protect the Confidential Information and business goodwill of the Company, the Employee agrees to the following restrictive covenants.

(a) *Non-Solicitation*. The Employee agrees that, as part of the Employee's employment or association with the Company, the Employee will become familiar with the salary, pay scale, capabilities, experiences, skill and desires of the Company's employees and consultants. For these reasons, the Employee agrees that to protect the Company's Confidential Information, legitimate business interests, and business goodwill, it is necessary to enter into the following restrictive covenant. The Employee agrees that, during the Employee's employment and for a period of twelve (12) months following the date on which the Employee's employment with the Company terminates for any reason (the "***Restrictive Covenant Period***"), the Employee, whether directly or indirectly, shall not recruit, solicit, hire or attempt to recruit, solicit, or hire, directly or by assisting others, any persons employed by or associated with the Company, nor shall the Employee contact or communicate with any such persons for the purpose of inducing such persons to terminate their employment or association with the Company. For purposes of this paragraph, the "persons" covered by this prohibition include current employees and persons who were employed by the Company within twelve (12) months of the time of the attempted recruiting, solicitation, or hiring.

(b) *Non-Compete*. During the Restrictive Covenant Period, the Employee shall not, without the Company's prior written consent, directly or indirectly: (i) solicit business for or on behalf of any person or business entity operating a Competing Business (as defined below) in the Restricted Area (as defined below); (ii) own, operate, participate in, become employed with, consult for or have any interest in any Competing Business in the Restricted Area, except that the Employee may own publicly traded stock for investment purposes only in any company in which the Employee owns less than 5% of the voting equity; or (iii) use or rely upon any Confidential Information in any competition, solicitation, or marketing effort. As used herein, "***Competing Business***" means any business, individual, partnership, firm, corporation or other entity that is competing or that is preparing to compete with the Company's business of being a retailer or a business specializing in high-quality home furnishings, housewares or gift related items in the United States; and any other business the Company conducted, prepared to conduct or materially contemplated conducting during the Employee's employment with the Company. Competing Business shall include business of the type of, but not be limited to, the following entities: The TJX Companies, Inc. (including, without limitation, TJ Max, HomeGoods, Marshall's Mega Stores, At Home Group, Inc., and Marshall's, Inc.); Ross Stores, Inc.; Burlington Stores, Inc.; One Kings Lane, Inc.; Joss and Main (owned by Wayfair, LLC); zulily, inc.; Nordstrom Rack (owned by Nordstrom, Inc., but not including Nordstrom stores); Back Stage (owned by Macy's, Inc., but not including Macy's stores); Ollie's Bargain Outlet Holdings, Inc.; and Overstock.com, Inc. As used herein, "***Restricted Area***" means the United States and any other geographical area in which the Company provides services during the Employee's employment and for which the Employee had any responsibility or about which the Employee received Confidential Information. Notwithstanding anything to the contrary contained herein, solely for purposes of this Section 7(b), the Restrictive Covenant Period shall immediately end with respect to the obligations set forth in this Section 7(b), and the Employee shall no longer be obligated to comply with the provisions of this Section 7(b), if the Employee's employment with the Company is terminated by the Company without Cause on or after a Change in Control.

(c) *Remedies.* The Employee acknowledges that the restrictions contained in Sections 5, 6, and 7, in view of the nature of the Company's business, are reasonable and necessary to protect the Company's legitimate business interests, business goodwill and reputation, and that any

violation of these restrictions would result in irreparable injury and continuing damage to the Company, and that money damages would not be a sufficient remedy to the Company for any such breach or threatened breach. Therefore, the Employee agrees that the Company shall be entitled to a temporary restraining order and injunctive relief restraining the Employee from the commission of any breach or threatened breach of Section 5, 6, and 7, without the necessity of establishing irreparable harm or the posting of a bond, and to recover from the Employee damages incurred by the Company as a result of the breach, as well as the Company's attorneys' fees, costs and expenses related to any breach or threatened breach of this Agreement and enforcement of this Agreement. Nothing contained in this Agreement shall be construed as prohibiting the Company from pursuing any other remedies available to it for any breach or threatened breach, including, without limitation, the recovery of money damages, attorneys' fees, and costs. The existence of any claim or cause of action by the Employee against the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of the restrictive covenants contained in Sections 5, 6, and 7, or preclude injunctive relief.

(d) *Tolling*. If the Employee violates any of the restrictions contained in this Section 7, the Restrictive Covenant Period shall be suspended and shall not run in favor of the Employee until such time that the Employee cures the violation to the satisfaction of the Company; the period of time in which the Employee is in breach shall be added to the Restrictive Covenant Period.

(e) *Notice*. If the Employee, in the future, seeks or is offered employment, or any other position or capacity with another company or entity, the Employee agrees to inform each new employer or entity, before accepting employment, of the existence of the restrictions in Section 5, 6, and 7. The Company shall be entitled to advise such person or subsequent employer of the provisions of Section 5, 6, and 7 and to otherwise deal with such person to ensure that the provisions of Section 5, 6, and 7 are enforced and duly discharged.

8. Confidentiality of this Agreement. Except to the extent disclosure is required by law (including any required disclosures under federal security laws), the Employee agrees to keep the terms of this Agreement, including, without limitation, the amount of the Retention Payment, completely confidential and shall not disclose the same to any person; provided, however, that the Employee may disclose the terms of this Agreement and the amount of the Retention Payment to the Employee's family and financial, tax, professional, pastoral and legal advisors or as otherwise permitted by applicable law. Before sharing this Agreement or its terms with the Employee's family or the Employee's financial, tax, professional, pastoral and/or legal advisors, the Employee agrees to notify them of this confidentiality requirement and to require them to agree to this confidentiality requirement. In addition, the Parties expressly acknowledge that certain employees of the Company currently know or have been provided the terms of this Agreement, and any subsequent disclosure of this Agreement or its terms by such employees of the Company shall not constitute a breach or violation of this Section 8 by the Employee.

9. Cooperation. During the term of this Agreement and after the Employee's employment with the Company terminates for any reason, the Employee agrees, subject to his or her other professional and personal commitments to the extent practicable, to provide the Employee's full cooperation, at the request of the Company, in the transitioning of the Employee's job duties and responsibilities and any and all investigations or other legal, equitable or business matters or proceedings which involve any matters for which the Employee worked on or had responsibility for during the Employee's employment with the Company. The Employee also agrees, subject to his or her other professional and personal commitments to the extent practicable, to be reasonably available to the Company or its representatives to provide general advice or assistance as requested by the Company (subject to his or her rights under the Fifth Amendment of the U.S. Constitution). This includes, but is not limited to, testifying (and preparing to testify) as a witness in any proceeding or otherwise providing information or reasonable assistance to the Company in

connection with any investigation, claim or suit, and cooperating with the Company regarding any investigation, litigation, claims or other disputed items involving the Company that relate to matters within the knowledge or responsibility of the Employee (subject to his or her rights under the Fifth Amendment of the U.S. Constitution). Specifically, the Employee agrees, subject to his or her other professional and personal commitments to the extent practicable, (a) to meet with the Company's representatives, its counsel or other designees at reasonable times and places with respect to any items within the scope of this provision; (b) to provide truthful testimony regarding the same to any court, agency or other adjudicatory body; (c) to provide the Company with immediate notice of contact or subpoena by any non-governmental adverse party as to matters relating to the Company; and (d) to not voluntarily assist any such non-governmental adverse party or such non-governmental adverse party's representatives. The Employee acknowledges and understands that the Employee's obligations of cooperation under this Section 9 are not limited in time and may include, but shall not be limited to, the need for or availability for testimony. The Company shall reimburse the Employee for reasonable expenses incurred in providing cooperation requested by the Company pursuant to this Section 9.

10. Survival. The provisions of Sections 4, 5, 6, 7, 8, and 9 creating obligations extending beyond the term of this Agreement shall survive the expiration or termination of this Agreement and of the Employee's employment with Company, regardless of the reason for such expiration or termination.

11. Section 409A. The Parties intend this Agreement, and any payments made pursuant to this Agreement, to be exempt from the requirements of Section 409A of the Internal Revenue Code of 1986, as amended, as a "short-term deferral" within the meaning of Treasury Regulation Section 1.409A-1(b)(4), and further agree to interpret this Agreement at all times in accordance with such intent.

12. No Right to Continued Employment. Nothing contained in this Agreement shall be deemed to give the Employee the right to be retained in the employment of the Company or to interfere with the right of the Company to discharge the Employee at any time regardless of the effect that such discharge shall have upon the Employee under this Agreement.

13. Entire Agreement. This Agreement is the entire agreement between the Parties with respect to the subject matter hereof and supersedes any previous agreements, written or oral, between the Employee and the Company with regard to the subject matter of this Agreement. Notwithstanding the foregoing, this Agreement does not supersede any non-disclosure, non-disparagement, or confidentiality provisions or agreements that the Employee and the Company have previously entered into, and the Parties agree that this Agreement and any prior provisions and/or agreements are both enforceable and may run concurrently and may both be enforced. This Agreement may not be modified or amended orally, and any amendment or modification must be in a writing signed by the Parties. The Employee acknowledges and represents that in executing this Agreement, the Employee did not rely, and has not relied, on any communications, promises, statements, inducements, or representation(s), oral or written, by the Company, except as expressly contained in this Agreement. The Parties represent that they have relied on their own judgment in entering into this Agreement.

14. Partial Invalidity and Reformation. The Employee and the Company understand that nothing in this Agreement is intended to hinder the Employee's performance of any legally-required duty or to violate any applicable law, rule or regulation and that, in the event any court of competent jurisdiction holds any provision of this Agreement to be invalid or unenforceable, such invalid or unenforceable provision(s) shall be limited or excluded from this Agreement to the minimum extent required, and the remaining provisions shall not be affected and shall remain in full force and effect.

15. Nonwaiver and Construction. The Company's waiver of any provision of this Agreement shall not constitute (a) a continuing waiver of that provision, or (b) a waiver of any other provision of this

Agreement. Nothing contained in this Agreement shall be construed as prohibiting the Company or Tuesday Morning from pursuing any other remedies available for any breach or threatened breach, including, without limitation, the recovery of money damages.

16. Controlling Law. This Agreement shall be governed by and construed under the laws of the State of Texas. Any dispute in the meaning, effect, or validity of this Agreement shall be resolved in accordance with the laws of the State of Texas without regard to the conflict of laws provisions thereof. The Company and the Employee agree that the language in this Agreement shall, in all cases, be construed as a whole, according to its fair meaning, and not strictly for, or against, either of the Parties.

17. No Duties; Waiver of Claims. Except to the extent required by any unwaiveable requirement under applicable law, no employee of the Company shall have any duties or liabilities, including, without limitation, any fiduciary duties, to the Employee (or any person claiming by or through the Employee) as a result of this Agreement or any claim arising hereunder and, to the fullest extent permitted under applicable law, the Employee irrevocably waives and releases any right or opportunity the Employee might have to assert (or participate or cooperate in) any claim against any employee or outside director of the Company arising out of this Agreement. This Agreement does not create, nor shall it be construed as creating, any principal and agent, trust, or other fiduciary duty or special relationship running from the Company to the Employee.

18. Counterparts. This Agreement may be executed by the Parties in multiple counterparts, whether or not all signatories appear on these counterparts (including via electronic signatures and exchange of PDF documents via email), each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

THE EMPLOYEE: **THE COMPANY**:

Signature: Signature:
Print Name: Print Name:
Date: Title:

EXHIBIT 31.1

CERTIFICATION

I, Steven R. Becker, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Tuesday Morning Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 3, 2018

By: /s/ Steven R. Becker
Steven R. Becker
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Stacie R. Shirley, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Tuesday Morning Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 3, 2018

By: /s/ Stacie R. Shirley
Stacie R. Shirley
Executive Vice President, Chief Financial Officer and Treasurer

EXHIBIT 32.1

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER OF TUESDAY MORNING CORPORATION PURSUANT TO
18 U.S.C. §1350

I, Steven R. Becker, the Chief Executive Officer of Tuesday Morning Corporation, hereby certify that to the best of my knowledge and belief:

1. The quarterly report on Form 10-Q of Tuesday Morning Corporation for the period ended March 31, 2018 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the above-mentioned report fairly presents, in all material respects, the financial condition and results of operations of Tuesday Morning Corporation.

Date: May 3, 2018

By: /s/ Steven R. Becker
Steven R. Becker
Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER OF TUESDAY MORNING CORPORATION PURSUANT TO
18 U.S.C. §1350

I, Stacie R. Shirley, the Chief Financial Officer of Tuesday Morning Corporation, hereby certify that to the best of my knowledge and belief:

1. The quarterly report on Form 10-Q of Tuesday Morning Corporation for the period ended March 31, 2018 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the above-mentioned report fairly presents, in all material respects, the financial condition and results of operations of Tuesday Morning Corporation.

Date: May 3, 2018

By: /s/ Stacie R. Shirley
Stacie R. Shirley
Executive Vice President, Chief Financial Officer
and Treasurer