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 September 30, 2019

OR

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

FOR THE TRANSITION PERIOD FROM TO

Commission File Number 0-19658

TUESDAY MORNING CORPORATION
(Exact Name of Registrant as Specified in its Charter)

Delaware **(State or Other Jurisdiction of Incorporation or Organization)**	**75-2398532** **(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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01 per share	TUES	The NASDAQ Stock Market LLC

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 every Interactive Data File required to be submitted 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 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	☐	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 November 1, 2019
Common Stock, par value $0.01 per share	47,738,988

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

Tuesday Morning Corporation
Consolidated Balance Sheets
September 30, 2019 (unaudited) and June 30, 2019
(In thousands, except share and per share data)

	September 30, 2019	June 30, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,273	$ 11,395
Inventories	285,920	237,895
Prepaid expenses	5,435	5,388
Other current assets	1,499	1,822
Total Current Assets	298,127	256,500
Property and equipment, net	108,990	110,146
Operating lease right-of-use assets	351,755	—
Deferred financing costs	947	994
Other assets	2,882	2,881
Total Assets	$ 762,701	$ 370,521
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 113,036	$ 91,251
Accrued liabilities	47,721	45,923
Operating lease liabilities	66,914	—
Total Current Liabilities	227,671	137,174
Operating lease liabilities — non-current	311,114	—
Borrowings under revolving credit facility	57,900	34,650
Deferred rent	—	23,551
Asset retirement obligation — non-current	3,002	3,002
Other liabilities — non-current	1,215	835
Total Liabilities	600,902	199,212
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; 49,521,649 shares issued and 47,737,988 shares outstanding at September 30, 2019 and 48,466,930 shares issued and 46,683,269 shares outstanding at June 30, 2019	462	465
Additional paid-in capital	242,179	241,456
Retained deficit	(74,030)	(63,800)
Less: 1,783,661 common shares in treasury, at cost, at September 30, 2019 and 1,783,661 common shares in treasury, at cost, at June 30, 2019	(6,812)	(6,812)
Total Stockholders' Equity	161,799	171,309
Total Liabilities and Stockholders' Equity	$ 762,701	$ 370,521

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 September 30, 2019	Three Months Ended September 30, 2018
Net sales	$ 224,439	$ 227,313
Cost of sales	143,307	144,895
Gross profit	81,132	82,418
Selling, general and administrative expenses	89,783	90,006
Operating loss	(8,651)	(7,588)
Other income/(expense):		
Interest expense	(665)	(587)
Other income, net	67	190
Other income/(expense) total	(598)	(397)
Loss before income taxes	(9,249)	(7,985)
Income tax provision	380	124
Net loss	$ (9,629)	$ (8,109)
Earnings Per Share		
Net loss per common share:		
Basic	$ (0.21)	$ (0.18)
Diluted	$ (0.21)	$ (0.18)
Weighted average number of common shares:		
Basic	44,955	44,490
Diluted	44,955	44,490
Dividends per common share	$ —	$ —

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

Tuesday Morning Corporation
Consolidated Statements of Stockholders' Equity (unaudited)
Three Months Ended September 30, 2019 and 2018
(In thousands)

	Common Stock		Additional Paid-In	Retained	Treasury	Total Stockholders'
	Shares	Amount	Capital	(Deficit)	Stock	Equity
Balance at June 30, 2019	46,683	$ 465	$ 241,456	$ (63,800)	$ (6,812)	$ 171,309
Net loss	—	—	—	(9,629)	—	(9,629)
Share-based compensation expense	—	—	720	—	—	720
Shares issued or canceled in connection with employee stock incentive plans and related tax effect	1,055	(3)	3	—	—	—
Cumulative effect of accounting change	—	—	—	(601)	—	(601)
Balance at September 30, 2019	47,738	$ 462	$ 242,179	$ (74,030)	$ (6,812)	$ 161,799

	Common Stock		Additional Paid-In	Retained	Treasury	Total Stockholders'
	Shares	Amount	Capital	(Deficit)	Stock	Equity
Balance at June 30, 2018	45,865	$ 469	$ 237,957	$ (51,360)	$ (6,812)	$ 180,254
Net loss	—	—	—	(8,109)	—	(8,109)
Share-based compensation expense	—	—	771	—	—	771
Shares issued or canceled in connection with employee stock incentive plans and related tax effect	1,122	—	—	—	—	—
Balance at September 30, 2018	46,987	$ 469	$ 238,728	$ (59,469)	$ (6,812)	$ 172,916

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

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018
Cash flows from operating activities:		
Net loss	$ (9,629)	$ (8,109)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	6,383	6,554
Amortization of financing fees	54	79
(Gain)/loss on disposal of assets	133	(9)
Share-based compensation	705	724
Construction allowances from landlords	247	542
Change in operating assets and liabilities:		
Inventories	(48,010)	(57,520)
Prepaid and other current assets	273	(696)
Accounts payable	21,093	33,630
Accrued liabilities	3,422	6,570
Operating lease assets and liabilities	(490)	—
Deferred rent	—	(172)
Income taxes payable	470	174
Other liabilities — non-current	97	(132)
Net cash used in operating activities	(25,252)	(18,365)
Cash flows from investing activities:		
Capital expenditures	(4,744)	(4,831)
Purchase of intellectual property	—	(262)
Proceeds from sale of assets	10	12
Net cash used in investing activities	(4,734)	(5,081)
Cash flows from financing activities:		
Proceeds under revolving credit facility	90,700	38,300
Repayments under revolving credit facility	(67,450)	(21,180)
Change in cash overdraft	692	9,408
Payments on capital leases	(71)	(40)
Payment of financing fees	(7)	—
Net cash provided by financing activities	23,864	26,488
Net increase/(decrease) in cash and cash equivalents	(6,122)	3,042
Cash and cash equivalents, beginning of period	11,395	9,510
Cash and cash equivalents, end of period	$ 5,273	$ 12,552

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. Other than as disclosed in this document, please refer to our Annual Report on Form 10-K for the fiscal year ended June 30, 2019 for our critical accounting policies.

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, 2019. The consolidated balance sheet at September 30, 2019 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, 2019. The results of operations for the three month period ended September 30, 2019 are not necessarily indicative of the results to be expected for the full fiscal year ending June 30, 2020, which we refer to as fiscal 2020. Certain reclassifications were made to prior period amounts to conform to the current period presentation. None of the reclassifications affected our net income/(loss) in any period.

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.

Accounting Pronouncement Recently Adopted

In February 2016, the FASB issued ASU No. 2016-02, “Leases (Topic 842)” (“ASC 842”). ASC 842 requires 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 ASC 842, a right-of-use asset and lease liability is 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. In addition, ASC 842 requires disclosures to help investors and other financial statement users better understand the amount, timing and uncertainty of cash flows arising from leases.

We adopted ASC 842 effective July 1, 2019 on a modified retrospective basis. We elected the transition option that allows entities to only apply the standard at the adoption date and not apply the provisions to comparative periods; therefore, prior periods were not restated. This transition option allows the recognition of a cumulative effect adjustment to the opening balance of retained earnings in the period of adoption rather than the earliest period presented. Our adoption of the standard resulted in a cumulative effect adjustment to retained earnings of $0.6 million, as of July 1, 2019. The adoption of the standard resulted in the recognition of operating lease assets of approximately $350 million and liabilities of approximately $375 million as of July 1, 2019.

We elected certain practical expedients permitted under the transition guidance, including the package of practical expedients, which allows us to not reassess whether existing contracts contain leases, the lease classification of existing leases, or initial direct costs for existing leases. We elected not to separate lease and non-lease components for new and modified leases and not to recognize a right-of-use asset and a lease liability for leases with an initial term of 12 months or less. We did not elect the hindsight practical expedient. The adoption of the standard did not materially impact our consolidated net income or liquidity, and did not have an impact on debt-covenant compliance under our current debt agreements.

See Note 5 for additional information.

2. Revenue Recognition — Our revenue is earned from sales of merchandise within our stores and is recorded at the point of sale and conveyance of merchandise to customers. Revenue is measured based on the amount of consideration that we expect to receive, reduced by point of sale discounts and estimates for sales returns, and excludes sales tax. Payment for our sales is due at the time of sale. We maintain a reserve for estimated returns, as well as a corresponding returns asset, and we use historical customer return behavior to estimate our reserve requirements. No impairment of the returns asset was indicated or recorded as of September 30,

2019. Gift cards are sold to customers in our stores and we issue gift cards for merchandise returns in our stores. Revenue from sales of gift cards and issuances of merchandise credits is recognized when the gift card is redeemed by the customer, or if the likelihood of the gift card being redeemed by the customer is remote (gift card breakage). The gift card breakage rate is determined based upon historical redemption patterns. An estimate of the rate of gift card breakage is applied over the period of estimated performance and the breakage amounts are included in net sales in the Consolidated Statement of Operations. Breakage income recognized was $0.1 million in the first quarter of fiscal 2020 and was $0.1 million in the first quarter of fiscal 2019. The gift card liability is included in “Accrued Liabilities” in the Consolidated Balance Sheet at September 30, 2019.

3. Share-based incentive plans — **Stock Option Awards.** We have established 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 2008 Plan, but equity awards granted under the 2008 Plan are still outstanding.

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 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 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 September 30, 2019 range between $1.64 per share and $20.91 per share. The 2008 Plan terminated as to new awards as of September 16, 2014. There were 2.3 million shares available for grant under the 2014 Plan at September 30, 2019.

Restricted Stock Awards—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 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. The 2014 Plan also authorizes the issuance of restricted stock units which, upon vesting, provide for the issuance of an equivalent number of shares of common stock or a cash payment based on the value of our common stock at vesting. Restricted units are not transferable and do not provide voting or dividend rights. Shares and units are valued at the fair market value of our common stock at the date of award. Shares and units may be subject to certain performance requirements. If the performance requirements are not met, the restricted shares or units are forfeited. Under the 2008 Plan and the 2014 Plan, as of September 30, 2019, there were 2,595,531 shares of restricted stock and 1,653,635 restricted stock units 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 $2.42 and $1.80 per share, respectively.

Performance-Based Restricted Stock Awards and Performance-Based Stock Option Awards. As of September 30, 2019 there were 1,736,739 unvested performance-based restricted stock awards and performance-based restricted stock units payable in cash outstanding under the 2014 Plan.

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

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018
Amortization of share-based compensation during the period	$ 720	$ 771
Amounts capitalized in ending inventory	(201)	(285)
Amounts recognized and charged to cost of sales	186	238
Amounts charged against income for the period before tax	$ 705	$ 724

4. 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.

5. Leases — We conduct substantially all operations from leased facilities, with the exception of the corporate headquarters in Dallas and the Dallas warehouse, distribution and retail complex, which are owned facilities. The other warehouse facilities across the country and all other retail store locations are under operating leases that will expire over the next 1 to 11 years. Many of our leases include options to renew at our discretion. We include the lease renewal option periods in the calculation of our operating lease assets and liabilities when it is reasonably certain that we will renew the lease. We also lease certain equipment under finance leases that expire generally within 60 months.

As discussed in Note 1, we adopted ASC 842 effective July 1, 2019 using the modified retrospective adoption method, which resulted in an adjustment to opening retained earnings of $0.6 million to recognize impairment of the opening right-of-use asset balance for two stores for which assets had been previously impaired under ASC 360, "Property, Plant, and Equipment."

We utilized the simplified transition option available in ASC 842, which allowed the continued application of the legacy guidance in ASC 840, including disclosure requirements, in the comparative periods presented in the year of adoption.

We determine whether an agreement contains a lease at inception based on our right to obtain substantially all of the economic benefits from the use of the identified asset and its right to direct the use of the identified asset. Lease liabilities represent the present value of future lease payments and the right-of-use (ROU) assets represent our right to use the underlying assets for the respective lease terms.

The operating lease liability is measured as the present value of the unpaid lease payments and the ROU asset is derived from the calculation of the operating lease liability. As our leases do not generally provide an implicit rate, we use our incremental borrowing rate as the discount rate to calculate the present value of lease payments. The incremental borrowing rate represents an estimate of the interest rate that would be required to borrow over a similar term, on a collateralized basis in a similar economic environment.

Rent escalations occurring during the term of the leases are included in the calculation of the future minimum lease payments and the rent expense related to these leases is recognized on a straight-line basis over the lease term. In addition to minimum lease payments, certain leases require payment of a proportionate share of real estate taxes and certain building operating expenses allocated on a percentage of sales in excess of a specified base. These variable lease costs are not included in the measurement of the ROU asset or lease liability due to unpredictability of the payment amount and are recorded as lease expense in the period incurred. The ROU asset is adjusted to account for previously recorded lease-related expenses such as deferred rent and other lease liabilities.

Our lease agreements do not contain residual value guarantees or significant restrictions or covenants other than those customary in such arrangements. As of September 30, 2019, we did not have material leases that had been signed but not yet commenced.

The components of lease cost are as follows (in thousands):

	Three Months Ended September 30, 2019
Operating lease cost	$ 24,068
Variable lease cost	6,553
Finance lease cost:	
Amortization of right-of-use assets	71
Interest on lease liabilities	8
Total lease cost	$ 30,700

The table below presents additional information related to the Company's leases as of September 30, 2019:

	Three Months Ended September 30, 2019
Weighted average remaining lease term (in years)	
Operating leases	6.4
Finance leases	3.4
Weighted average discount rate	
Operating leases	5.8%
Finance leases	3.8%

Other information related to leases, including supplemental disclosures of cash flow information, is as follows (in thousands):

		Three Months Ended September 30, 2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$	21,281
Operating cash flows from finance leases		8
Financing cash flows from finance leases		71
Right-of-use assets obtained in exchange for operating lease liabilities		12,256

Maturities of lease liabilities were as follows as of September 30, 2019 (in thousands):

		Operating Leases		Finance Leases		Total
Fiscal year:						
2020 (remaining)	$	65,529	$	233	$	65,762
2021		79,932		315		80,247
2022		68,669		236		68,905
2023		59,936		97		60,033
2024		51,815		10		51,825
2025		45,043		—		45,043
Thereafter		84,966		—		84,966
Total lease payments	$	455,890	$	891	$	456,781
Less: Interest		77,862		53		77,915
Total lease liabilities	$	378,028	$	838	$	378,866
Less: Current lease liabilities		66,914		288		67,202
Non-current lease liabilities	$	311,114	$	550	$	311,664

Current and non-current finance lease liabilities are recorded in "Accrued liabilities" and "Other liabilities – non-current," respectively, on our consolidated balance sheet. As of September 30, 2019, there were no operating lease payments for legally binding minimum lease payments for leases signed but not yet commenced.

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

	Three Months Ended September 30,			
		2019		2018
Net loss	$	(9,629)	$	(8,109)
Less: Income to participating securities		—		—
Net loss attributable to common shares	$	(9,629)	$	(8,109)
Weighted average number of common shares outstanding basic		44,955		44,490
Effect of dilutive stock equivalents		—		—
Weighted average number of common shares outstanding diluted		44,955		44,490
Net loss per common share basic	$	(0.21)	$	(0.18)
Net loss per common share diluted	$	(0.21)	$	(0.18)

For the quarters ended September 30, 2019 and 2018, 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.

7. Revolving credit facility — We are party to 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 January 29, 2024 (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 of $12.5 million. Our Revolving Credit Facility, in some instances, limits 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 are required to, 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 September 30, 2019, we were in compliance with all of the Revolving Credit Facility covenants.

At September 30, 2019, we had $57.9 million outstanding under the Revolving Credit Facility, $8.9 million of outstanding letters of credit and availability of $65.3 million. Letters of credit under the Revolving Credit Facility are generally 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 the prime rate, or LIBOR, 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 first quarter of the current fiscal year from the Revolving Credit Facility of $0.7 million was comprised of interest of $0.5 million, commitment fees of $0.1 million and the amortization of financing fees of $0.1 million. Interest expense for the first quarter of the prior fiscal year from the Revolving Credit Facility of $0.6 million was comprised of interest of $0.4 million, commitment fees of $0.1 million and the amortization of financing fees of $0.1 million.

The fair value of the Company's debt approximated its carrying amount as of September 30, 2019.

8. Depreciation — Accumulated depreciation of owned property and equipment at September 30, 2019 and June 30, 2019 was $185.2 million and $179.7 million, respectively.

9. 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 2014. 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 September 30, 2019 and 2018 were (4.1%) and (1.6%), respectively. A full valuation allowance is currently recorded against substantially all of the Company's other deferred tax assets. A deviation from the customary relationship between income tax expense/(benefit) and pretax income/(loss) results from the effects of the valuation allowance.

10. 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 September 30, 2019 and June 30, 2019, credit card receivables from third party consumer credit card providers were $3.4 million and $9.7 million, respectively. Such receivables are generally collected within one week of the balance sheet date.

11. 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 fiscal quarter, and may be reviewed more frequently if indicators of impairment are present. As of September 30, 2019, the carrying value of the intellectual property, which included indefinite-lived trademarks, was $1.3 million, and no impairment was identified or recorded.

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, 2019.

Business Overview

- We are one of the original off-price retailers and a leading destination for unique home and lifestyle goods. We are an off-price retailer, selling high-quality products at prices generally below those found in boutique, specialty and department stores, catalogs and on-line retailers. 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 first quarter of fiscal 2020, while at a more moderate pace, we continued to implement our strategy of improving store locations and the in-store experience for our customers. Additionally, we are focused on successfully renegotiating our store lease terms.
- We operated 707 stores in 39 states as of September 30, 2019. As part of the implementation of our real estate strategy, our store base decreased from 719 stores in 40 states as of September 30, 2018.
- Net sales for the first quarter of fiscal 2020 were $224.4 million, a decrease of 1.3%, compared to $227.3 million for the same period last year, primarily due to a decrease in sales from comparable stores (stores open at least five quarters, including stores relocated in the same market and renovated stores) of 0.7%. The decrease in comparable store sales was due to a 3.0% decrease in average ticket, partially offset by a 2.4% increase in customer transactions. Sales per square foot for the rolling 12 month period ended September 30, 2019 were $115, a decrease of 1.4% from the rolling 12 month period ended September 30, 2018.
- Cost of sales, as a percentage of net sales, for the first quarter of fiscal 2020 was 63.9%, compared to 63.7% for the same period last year.
- For the first quarter of fiscal 2020, selling, general and administrative expenses decreased $0.2 million to $89.8 million, from $90.0 million for the same quarter last year.
- Our operating loss for the first quarter of fiscal 2020 was $8.7 million, compared to an operating loss of $7.6 million for the same period last year.
- Our net loss for the first quarter of fiscal 2020 was $9.6 million, or $0.21 per share, compared to a net loss of $8.1 million, or $0.18 per share, for the same period last year.
- As shown under the heading "Non-GAAP Financial Measures" below, EBITDA for the first quarter of fiscal 2020 was negative $2.2 million compared to negative $0.9 million for the same period last year. Adjusted EBITDA for the first quarter of fiscal 2020 was negative $1.5 million compared to negative $0.1 million for the same period last year.
- Inventory levels at September 30, 2019 increased $48.0 million to $285.9 million from $237.9 million at June 30, 2019. Compared to the same date last year, inventories decreased $6.0 million from $291.9 million at September 30, 2018. The decrease in inventory as compared to September 30, 2018 was driven primarily by lower inventory in our stores. Inventory turnover for the trailing five quarters as of September 30, 2019 was 2.6 turns, and is consistent with the trailing five quarter turnover as of September 30, 2018 of 2.6 turns.
- Cash and cash equivalents at September 30, 2019 decreased $6.1 million to $5.3 million from $11.4 million at June 30, 2019. Compared to the same date last year, cash and cash equivalents decreased $7.3 million from $12.6 million at September 30, 2018.

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.

Non-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 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 September 30,	
	2019	2018
Net loss (GAAP)	$ (9,629)	$ (8,109)
Depreciation and amortization	6,383	6,554
Interest expense, net	663	575
Income tax provision	380	124
EBITDA (non-GAAP)	$ (2,203)	$ (856)
Share based compensation expense (1)	705	724
Cease-use rent expense (2)	—	65
Adjusted EBITDA (non-GAAP)	$ (1,498)	$ (67)

(1) Adjustment includes charges related to share-based compensation programs, which vary from period to period depending on volume, timing and vesting 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. While accelerated rent expense may occur in future periods, the amount and timing of such expenses will vary from period to period.

Three Months Ended September 30, 2019
Compared to the Three Months Ended September 30, 2018

Net sales for the first quarter of fiscal 2020 were $224.4 million, a decrease of $2.9 million from $227.3 million in the first quarter of fiscal 2019. Comparable store sales decreased 0.7% compared to the same period a year ago, and was comprised of a 3.0% decrease in average ticket, partially offset by a 2.4% increase in customer transactions. 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. Non-comparable store sales decreased by a total of $1.3 million and resulted in a 55 basis point negative 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 22 store closures, partially offset by 10 store openings, which have occurred since the end of the first quarter of fiscal 2019.

	Store Openings/Closings		
	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Fiscal Year Ended June 30, 2019
Stores open at beginning of period	714	726	726
Stores opened during the period	1	2	11
Stores closed during the period	(8)	(9)	(23)
Stores open at end of period	707	719	714

We ended the first quarter of fiscal 2020 with 707 stores open at September 30, 2019, compared to 719 stores open at September 30, 2018. We relocated one existing store during the first quarter of fiscal 2020 and seven stores in the first quarter of the prior fiscal year.

Gross profit for the first quarter of fiscal 2020 was $81.1 million, a decrease of 1.6% compared to $82.4 million in gross profit for the first quarter of fiscal 2019. Gross profit as a percentage of net sales was 36.1% for the first quarter of fiscal 2020, compared to 36.3% for the first quarter of fiscal 2019. The slight decrease in gross margin was driven by increased markdowns in the current year quarter, primarily due to timing, and was substantially offset by continued improvements in initial merchandise mark-up and lower supply chain and transportation costs.

Selling, general & administrative (SG&A) expenses for the first quarter of fiscal 2020 decreased $0.2 to $89.8 million, compared to $90.0 million in the same period last year. As a percentage of net sales, SG&A expenses were 40.0% for the first quarter of fiscal 2020 compared to 39.6% in the same period last year, deleveraging approximately 40 basis points.

Our operating loss was $8.7 million for the first quarter of fiscal 2020, compared to an operating loss of $7.6 million during the first quarter of fiscal 2019.

Interest expense increased $0.1 million to $0.7 million compared to $0.6 million the first quarter of fiscal 2019. Other income was $0.1 million in the first quarter of fiscal 2020 compared to $0.2 million in the first quarter of fiscal 2019.

Income tax expense for the first quarter of fiscal 2020 was $0.4 million compared to $0.1 million for the same period last year. The effective tax rates for the first quarter of fiscal 2020 and fiscal 2019 were (4.1%) and (1.6%), respectively. 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 other deferred tax assets at September 30, 2019. A deviation from the customary relationship between income tax expense and pretax income results from the effects of the valuation allowance.

Liquidity and Capital Resources

Cash Flows from Operating Activities

Net cash used in operating activities for the three months ended September 30, 2019 was $25.3 million compared to $18.4 million for the three months ended September 30, 2018. The increase in cash used in operating activities in the current year was primarily the result of a $12.5 million lower increase in accounts payable as compared to the prior year, which was partially offset by a $9.5 million lower inventory build in the current year as compared to the prior year. The decrease in accounts payable was due to the inventory decline and the timing of merchandise receipts and the related payments. We expect accounts payable to be more in line with historical levels at the end of the second quarter of fiscal 2020. Additionally, accrued liabilities increased $3.1 million less in the current year as compared to the prior fiscal year, and net cash used in operating activities was impacted by our $1.5 million higher net loss as compared to the prior year. There were no significant changes to our vendor payments policy during the three months ended September 30, 2019.

Cash Flows from Investing Activities

Net cash used in investing activities for the three months ended September 30, 2019 and 2018 related primarily to capital expenditures. Our capital expenditures are generally 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, technology and equipment. Cash used in investing activities totaled $4.7 million and $5.1 million for the three months ended September 30, 2019 and 2018, respectively. Prior year spending primarily related to our store real estate strategy, while current year spending reflects reduced real estate project activity and increased investment in technology.

We currently expect to incur capital expenditures, net of construction allowances received from landlords, in the range of $25 million to $27 million in fiscal year 2020.

Cash Flows from Financing Activities

Net cash provided by financing activities of $23.9 million for the three months ended September 30, 2019 related to $23.2 million of net borrowings on our Revolving Credit Facility, along with a $0.7 million cash overdraft provision. Net cash provided by financing activities of $26.5 million for the prior year period related to $17.1 million of net borrowings on our Revolving Credit Facility, along with a $9.4 million cash overdraft provision.

Revolving Credit Facility

We are party to a credit agreement providing for an asset-based, five year senior secured revolving credit facility in the amount of up to $180.0 million that matures on January 29, 2024. 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 September 30, 2019, we had $57.9 million outstanding under the Revolving Credit Facility, $8.9 million of outstanding letters of credit and availability of $65.3 million. Letters of credit under the Revolving Credit Facility are generally 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 the prime rate, or LIBOR, 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 first quarter of the current fiscal year from the Revolving Credit Facility of $0.7 million was comprised of interest of $0.5 million, commitment fees of $0.1 million and the amortization of financing fees of $0.1 million. Interest expense for the first quarter of the prior fiscal year from the Revolving Credit Facility of $0.6 million was comprised of interest of $0.4 million, commitment fees of $0.1 million, and the amortization of financing fees of $0.1 million.

Liquidity

We have financed our operations with funds generated from operating activities, available cash and cash equivalents, and borrowings under our Revolving Credit Facility. Cash and cash equivalents as of September 30, 2019 and 2018, were $5.3 million and $12.6 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. Our borrowings have historically peaked during our second fiscal quarter as we build inventory levels prior to the holiday selling season. 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 September 30, 2019.

As of September 30, 2019, 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, 2019.

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.

Other than as described in Note 1 of our unaudited condensed consolidated financial statements, as of September 30, 2019, 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, 2019.

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 first quarter of fiscal 2020 were 5.3% of sales compared to 4.5% 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 September 30, 2019 would result in a decline in gross profit and earnings per share for the first quarter of fiscal 2020 of $1.4 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, 2019.

Recent Accounting Pronouncements

Please refer to Note 1 of our unaudited condensed consolidated financial statements for a summary of recent accounting pronouncements.

Cautionary Statement Regarding 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 or words that state other "forward-looking" information carefully because they describe our current expectations, plans, strategies and goals and our beliefs concerning future business conditions, future results of operations, future financial positions, and our current business outlook. Forward looking statements also include statements regarding our sales and growth expectations, our liquidity, capital expenditure plans, our inventory management plans, productivity of our store base, our real estate strategy, projections regarding gross margin improvement related to our distribution facility retrofit project and other supply chain initiatives, and merchandising and marketing strategies.

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

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, 2019 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 ability to identify and respond to changes in consumer trends and preferences;*
- *our ability to mitigate reductions of customer traffic in shopping centers where our stores are located*;
- *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 maintain and protect our information technology systems and technologies and related improvements to support our growth;*
- *increases in fuel prices and changes in transportation industry regulations or conditions;*
- *our ability to generate 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;*
- *our ability to successfully execute our real estate strategy;*
- *changes in federal tax policy including tariffs;*
- *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 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 risk to our corporate reputation from our customers, employees and other third parties;*
- *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; 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 undu*e 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, 2019.

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 September 30, 2019 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 September 30, 2019 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.

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, 2019.

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

Information regarding our repurchases of equity securities during the three months ended September 30, 2019 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)
July 1 through July 31, 2019	—	$ —	—	$ 3,187,746
August 1 through August 31, 2019	—	$ —	—	$ 3,187,746
September 1 through September 30, 2019	—	$ —	—	$ 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.

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	Form of Restricted Stock Units Payable in Cash
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:	November 5, 2019	By:	/s/ Stacie R. Shirley Stacie R. Shirley Executive Vice President and Chief Financial Officer (Principal Financial Officer)
DATE:	November 5, 2019	By:	/s/ Kelly J. Munsch Kelly J. Munsch Vice President, Chief Accounting Officer and Controller (Principal Accounting Officer)

EVP/SVP FORM
Exhibit 10.1

RESTRICTED STOCK UNIT AWARD AGREEMENT
(Performance Based / Cash Settled)

Tuesday Morning Corporation
2014 Long-Term Incentive Plan

This **RESTRICTED STOCK UNIT AWARD AGREEMENT** (this "***Agreement***") is entered into between Tuesday Morning Corporation, a Delaware corporation (the "***Company***"), (the "***Participant***"), effective as of ________________ ___ (the "***Date of Grant***"), pursuant to the Tuesday Morning Corporation 2014 Long-Term Incentive Plan, as amended (the "***Plan***"), the terms of which are incorporated by reference herein in their entirety. Capitalized terms not otherwise defined in this Agreement have the meaning given to such terms in the Plan.

WHEREAS, the Company desires to grant to the Participant the Awarded Units (defined below) as an inducement for the Participant's continued and effective performance of services for the Company, subject to the terms and conditions of this Agreement; and

WHEREAS, the Participant desires to have the opportunity to receive cash payments relating to the value of shares of the Company's common stock, par value $0.01 per share ("***Common Stock***"), upon the vesting of the Awarded Units, subject to the terms and conditions of this Agreement;

NOW, THEREFORE, in consideration of the premises, mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

1. ***Grant of Restricted Stock Units***. Effective as of the Date of Grant and in accordance with Sections 6.6 and 6.9 of the Plan, the Company shall grant to the Participant an award of ________________ Restricted Stock Units (the "***Awarded Units***"), ________________ shares of which are "***Target Shares***" for purposes of Exhibit A, which may be converted into certain cash payments, as described in Section 4 below, equal to the Fair Market Value of the shares of Common Stock underlying the Awarded Units as they vest, subject to the terms and conditions provided in the Plan and this Agreement. Each Awarded Unit shall be a notional share of Common Stock, with the value of each Awarded Unit being equal to the Fair Market Value of a share of Common Stock at any time. In accepting the award of the Awarded Units set forth in this Agreement, the Participant accepts and agrees to be bound by all the terms and conditions of the Plan and this Agreement.

2. ***Definitions***. For purposes of this Agreement, the following terms shall have the meanings indicated below:

(a) "***Cause***" shall mean the occurrence of one of the following events: (i) commission of fraud, embezzlement, theft, felony or an act of dishonesty in the course of the

Participant's employment by the Company or an Affiliate which conduct damaged the Company or an Affiliate, (ii) disclosure of trade secrets of the Company or an Affiliate, or (iii) violation of the terms of any non-competition, non-disclosure or similar agreement with respect to the Company or any Affiliate to which the Participant is a party.

(b) "***Good Reason***" shall mean (i) a material reduction by the Company of the Participant's annual compensation without the Participant's consent; (ii) a material breach by the Company of this Agreement that is not cured within thirty (30) days of written notice by the Participant to the Company; or (iii) without the Participant's consent, the Company relocates its principal executive offices, or requires the Participant to have the Participant's principal work location change, which results in the Participant's principal work location being changed to a location in excess of fifty (50) miles from the location of the Company's principal executive offices as of the date hereof. The foregoing events shall not constitute Good Reason unless the Participant delivers to the Company a written notice specifying the circumstances giving rise to the alleged Good Reason within ninety (90) days after the Participant first learns of the existence of the circumstances giving rise to Good Reason; within thirty (30) days following delivery of such notice, the Company has failed to cure the circumstances giving rise to Good Reason; and the Participant resigns within sixty (60) days after the end of the cure period.

3. ***Vesting***. Subject to the provisions hereof and the provisions of the Plan, the Awarded Units will vest and become eligible for conversion and payment in accordance with Section 4 below as follows:

(a) *Generally*. Awarded Units which have become vested pursuant to the terms of this Section 3 are collectively referred to herein as "***Vested RSUs***." All other Awarded Units are collectively referred to herein as "***Unvested RSUs***". Except as specifically provided in this Agreement and subject to certain restrictions and conditions set forth in the Plan, the Awarded Units shall vest and become Vested RSUs as specified herein and upon the satisfaction of the conditions contained in Exhibit A.

(b) *Death or Total and Permanent Disability*. Notwithstanding any provisions of this Section 3 to the contrary, in the event the Participant's Termination of Service is due to the Participant's death or Total and Permanent Disability prior to a vesting date provided in subsection (a), then all Unvested RSUs shall immediately become Vested RSUs on the date of such Termination of Service due to death or Total and Permanent Disability.

(c) *Change in Control*. Notwithstanding any provisions of this Section 3 to the contrary, in the event (i) a Change in Control occurs prior to the date of the Participant's Termination of Service and (ii) the Participant incurs a Termination of Service during the two (2) year period commencing on the date that the Change in Control occurred, either (A) by the Company without Cause or (B) by the Participant for Good Reason, then all Unvested RSUs shall immediately become

Vested RSUs on the date of such Termination of Service by the Company without Cause or by the Participant for Good Reason.

(d) *Forfeiture Upon Violation of Confidentiality/Nonsolicitation Provisions.* Notwithstanding anything to the contrary contained herein, in the event the Participant fails to comply with the confidentiality and non-solicitation provisions of Exhibit B, or the non-solicitation and/or confidentiality provisions contained in any written agreement by and between the Participant and the Company, then (i) the Participant shall be deemed to have forfeited all of the Participant's Unvested RSUs, and all of the Participant's rights with respect to the forfeited Unvested RSUs shall cease and terminate, without any further obligations on the part of the Company, and (ii) the cash value of any Vested RSUs that has not yet been paid to the Participant in accordance with Section 4 below shall be immediately forfeited and this Agreement (other than the provisions of this subsection (d) and the provisions of Exhibit B) will be terminated on the date of such violation.

4. ***Conversion of Awarded Units; Payment.*** Subject to the provisions of the Plan and this Agreement, upon the vesting of Awarded Units, the Company shall pay the Participant (or, as applicable, the Participant's estate or beneficiary), on the Company's next regularly scheduled payroll date (and in no event later than sixty (60) days) following the applicable vesting date described in Section 3 above, a lump-sum cash payment equal to (i) the Fair Market Value of a share of Common Stock on the vesting date, multiplied by (ii) the number of RSUs vesting on the applicable vesting date, less all required withholdings and deductions as provided in Section 15 below.

5. ***Capital Adjustments and Reorganizations*.** The existence of the Awarded Units shall not affect in any way the right or power of the Company or its stockholders to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, engage in any merger or consolidation, issue any debt or equity securities, dissolve or liquidate, or sell, lease, exchange or otherwise dispose of all or any part of its assets or business, or engage in any other corporate act or proceeding.

6. ***No Rights as a Stockholder.*** The Participant will have no rights as a stockholder with respect to the Awarded Units. The Awarded Units shall be subject to the terms and conditions of this Agreement and the Plan.

7. ***Not an Employment Agreement*.** This Agreement is not an employment or service agreement, and no provision of this Agreement shall be construed or interpreted to create an employment or service relationship between the Participant and the Company or guarantee the right to continue in the employment of the Company or a Subsidiary for any specified term or limit the Company's authority to terminate the Participant's employment.

8. ***Limit of Liability*.** Under no circumstances will the Company or an Affiliate be liable for any indirect, incidental, consequential or special damages (including lost profits or taxes) of any form incurred by any person, whether or not foreseeable and regardless of the form

of the act in which such a claim may be brought, with respect to the Plan, this Agreement or the Awarded Units.

9. ***Notices***. Any notice, instruction, authorization, request or demand required hereunder shall be in writing, and shall be delivered either by personal delivery, telegram, telex, telecopy or similar facsimile means, by certified or registered mail, return receipt requested, or by courier or delivery service, addressed to the Company at the Company's principal business office address and to the Participant at the Participant's residential address as shown in the records of the Company, or at such other address and number as a party shall have previously designated by written notice given to the other party in the manner hereinabove set forth. Notices shall be deemed given when received, if sent by facsimile means (confirmation of such receipt by confirmed facsimile transmission being deemed receipt of communications sent by facsimile means); and when delivered (or upon the date of attempted delivery where delivery is refused), if hand-delivered, sent by express courier or delivery service, or sent by certified or registered mail, return receipt requested.

10. ***Amendment and Waiver***. Except as otherwise provided herein or in the Plan, or as necessary to implement the provisions of the Plan, this Agreement may be amended, modified or superseded only by written instrument executed, or an electronic agreement agreed to, by the Company and the Participant. Only a written instrument executed and delivered by, or an electronic agreement agreed to by, the party waiving compliance hereof shall waive any of the terms or conditions of this Agreement. Any waiver granted by the Company shall be effective only if executed and delivered by a duly authorized director or officer of the Company other than the Participant. The failure of any party at any time or times to require performance of any provisions hereof shall in no manner effect the right to enforce the same. No waiver by any party of any term or condition, or the breach of any term or condition contained in this Agreement, in one or more instances, shall be construed as a continuing waiver of any such condition or breach, a waiver of any other condition, or the breach of any other term or condition.

11. ***Governing Law and Severability***. The validity, construction and performance of this Agreement shall be governed by the laws of the State of Delaware, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction. The invalidity of any provision of this Agreement shall not affect any other provision of this Agreement, which shall remain in full force and effect.

12. ***Successors and Assigns***. Subject to the limitations which this Agreement imposes upon the transferability of the Awarded Units granted hereby, this Agreement shall bind, be enforceable by and inure to the benefit of the Company and its successors and assigns, and to the Participant, the Participant's permitted assigns and upon the Participant's death, the Participant's estate and beneficiaries thereof (whether by will or the laws of descent and distribution), executors, administrators, agents, legal and personal representatives.

13. ***Miscellaneous***. This Agreement is awarded pursuant to and is subject to all of the provisions of the Plan, including amendments to the Plan, if any.

14. ***Section 409A; Six Month Delay***. Notwithstanding anything herein to the contrary, in the case of a conversion of Awarded Units and any payment to which the Participant becomes entitled to in accordance with Section 4 on account of any Termination of Service (other than death), if the Participant is a "specified employee" as defined in § 1.409A-1(i) of the final regulations under Section 409A of the Code, then solely to the extent required under Section 409A of the Code, such payment to the Participant (determined after application of the withholding requirements set forth in Section 15 below) shall not occur until the date which is six (6) months following the date of the Participant's Termination of Service (or, if earlier, the date of the Participant's death). It is intended that each conversion and payment to be made under this Agreement shall be treated as a separate payment for purposes of Section 409A of the Code.

15. ***Tax Withholding***. The Company or, if applicable, any Subsidiary (for purposes of this Section 15, the term "***Company***" shall be deemed to include any applicable Subsidiary), shall be entitled to deduct from compensation payable to the Participant hereunder any sums required by federal, state or local tax law to be withheld with respect to the vesting and payment of this Award.

16. ***Acceptance.*** The Participant, by his or her acceptance of the Awarded Units, agrees to be bound by all of the terms and conditions of this Agreement, including, without limitation, the provisions of Exhibit A, Exhibit B and the Plan.

17. ***Disclaimer of Reliance***. Except for the specific representations expressly made by the Company in this Agreement and Exhibit A, the Participant specifically disclaims that the Participant is relying upon or has relied upon any communications, promises, statement, inducements or representation(s) that may have been made, oral or written regarding the subject matter of this Agreement. The Participant represents that the Participant relied solely and only on the Participant's own judgment in making the decision to enter into this Agreement.

EXHIBIT A

Threshold ([__]% of Target)	Target (100% of Target)	Max ([__]% of Target)
[METRIC]	[METRIC]	[METRIC]

ed between levels

Period—36 Months ([PERFORMANCE PERIOD])

Metrics – [DESCRIPTION OF PERFORMANCE METRIC].

***Notwithstanding the amount of [METRIC] achieved, the Compensation Committee of the Board retains the sole and absolute discretion to reduce the actual payout amount of any participant based on the Committee's subjective review of the participant's performance and such other factors as the Committee in good faith believes is appropriate.**

EXHIBIT B

Information, the Participant's Non-Disclosure Agreement and Work Product Ownership.

(a) Confidential Information. During the Participant's employment with the Company, the Company shall provide the Participant 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 Participant 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 Participant and/or the Company or furnished to the Participant during the Participant'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 Participant. The Participant 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 Participant entrusted with such information. The Participant further acknowledges that the Confidential Information: (i) is entrusted to the Participant because of the Participant's position with the Company; and (ii) is of such value and nature as to make it reasonable and necessary for the Participant to protect and preserve the confidentiality and secrecy of the Confidential Information. The Participant 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 Participant may not disclose any such Confidential

Information, the Participant 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 1(b) is intended to restrict the Participant's right to have such discussions.

(b) Non-Disclosure.

(i) The Participant shall hold all Confidential Information in strict confidence. The Participant shall not, during the period of the Participant'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: (1) in the ordinary course of the Company's business or the Participant's work for the Company; or (2) by law. The Participant shall use all reasonable precautions to assure that all Confidential Information is properly protected and kept from unauthorized persons. Further, the Participant 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: (1) 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 Participant's termination from employment with the Company; and/or (2) 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 Participant agrees that the Participant 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 Participant further agrees that in the event the Participant 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 Participant's receipt of such subpoena, process, notice or request, the Company requests that the Participant 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.

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

(iii) Subject to Section 1(b)(iv), the Participant agrees that the Participant shall not use or disclose any confidential or trade secret information belonging to any former employer or third party, and the Participant shall not bring onto the premises of the Company or onto any the Company property any confidential or trade secret information belonging to any former employer or third party without such third parties' consent.

(iv) During the Participant'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 Participant 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 Participant's employment with the Company and in accordance with the Company's agreement with such third party.

(c) No-Interference.

(i) Notwithstanding the foregoing or any other agreement regarding confidentiality with the Company, the Participant may disclose Confidential Information when required to do so by a court of competent jurisdiction, by any governmental agency having authority over the Participant or the business of the Company or by any administrative body or legislative body (including a committee thereof) with jurisdiction to order the Participant to divulge, disclose or make accessible such information. Nothing in this Agreement is intended to interfere with the Participant's right to (1) report possible violations of state or federal law or regulation to any governmental agency or entity, (2) make other disclosures that are protected under the whistleblower provisions of state or federal law or regulation, (3) file a claim or charge with any government agency or entity, or (4) testify, assist, or participate in an investigation, hearing, or proceeding conducted by any government or law enforcement agency, entity or court.

(ii) The Participant is hereby notified in accordance with the Defend Trade Secrets Act of 2016 that the Participant will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (1) 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 (2) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. The Participant is further notified that if the Participant files a lawsuit for retaliation against the Company for reporting a suspected violation of law, the Participant may disclose the Company's trade secrets to the Participant's attorney and use the trade secret information in the court proceeding if the Participant (x) files any document containing the trade secret under seal; and (y) does not disclose the trade secret, except pursuant to court order.

(d) Return of the Company Property. Upon the termination of the Participant's employment for any reason, the Participant shall immediately return and deliver to the Company any and all property, including, without limitation, Confidential Information, software, devices, 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, books of account, drawings, prints, plans, and the like which belong to the Company or which relate to the Company's business and which are in the Participant's possession, custody or control, whether prepared by the Participant or others. If at any time after termination of the Participant's employment, for any reason, the Participant determines that the Participant has any Confidential Information in the Participant's possession or control, the Participant shall immediately return to the Company all such Confidential Information in the Participant's possession or control, including all copies and portions thereof. Further, the Participant shall not retain any property, including, without limitation, Confidential Information, data, information, or documents, belonging to the Company or any copies thereof (in electronic or hard copy format).

2. ***Non-Solicitation***. In Section 1, the Company promised to provide the Participant certain Confidential Information. The Participant 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 Participant agrees to the following restrictive covenants.

(a) Non-Solicitation. The Participant agrees that, as part of the Participant's employment or association with the Company, the Participant will become familiar with the salary, pay scale, capabilities, experiences, skill and desires of the Company's employees and consultants. For these reasons, the Participant 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 Participant agrees that, during the Participant's employment and for a period of twelve (12) months following the date on which the Participant's employment with the Company terminates for any reason ("***Restrictive Covenant Period***"), the Participant, 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 contracted with the Company, nor shall the Participant contact or communicate with any such persons for the purpose of inducing such persons to terminate their employment or contract 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) Remedies. The Participant acknowledges that the restrictions contained in Section 1 and Section 2, in view of the nature of the Company's business, are reasonable and necessary to protect their 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 Participant agrees that the Company shall be entitled to a temporary restraining order and injunctive relief restraining the Participant from the commission of any breach or threatened breach of Section 1 or Section 2, without the necessity of establishing irreparable harm or the posting of a bond, and to recover from the Participant 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 Participant 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 Section 1 or Section 2, or preclude injunctive relief.

(c) Tolling. If the Participant violates any of the restrictions contained in this Section 2, the Restrictive Covenant Period shall be suspended and shall not run in favor of the Participant until such time that the Participant cures the violation to the satisfaction of the Company; the period of time in which the Participant is in breach shall be added to the Restrictive Covenant Period.

(d) Notice. If the Participant, in the future, seeks or is offered employment, or any other position or capacity with another company or entity, the Participant agrees to inform each new employer or entity, before accepting employment, of the existence of the restrictions in Section 1 and Section 2. The Company shall be entitled to advise such person or subsequent employer of the provisions of Section 1 and Section 2 and to otherwise deal with such person to ensure that the provisions of Section 1 and Section 2 are enforced and duly discharged.

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: November 5, 2019

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: November 5, 2019

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

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 September 30, 2019 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: November 5, 2019

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 September 30, 2019 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: November 5, 2019

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