

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

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

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

(in thousands)

	<i>Three Months Ended</i>	
	<i>September 30,</i>	
	2013	2012
Selling, general, and administrative expenses (GAAP)	\$75,894	\$75,790
Non-GAAP Adjustments:		
Compensation	(1,554)	(144)
Legal, consulting, and recruiting	(839)	(1,348)
Adjusted Selling, general, and administrative expenses (Non-GAAP)	\$73,501	\$74,298

GAAP Operating Loss to Non-GAAP Adjusted Operating Loss:

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

(in thousands)

	<i>Three Months Ended</i>	
	<i>September 30,</i>	
	<u>2013</u>	<u>2012</u>
Operating loss (GAAP)	<u>(\$12,467)</u>	<u>(\$10,884)</u>
Non-GAAP Adjustments:		
Compensation	1,554	144
Legal, consulting, and recruiting	839	1,348
Adjusted operating loss (Non-GAAP)	<u>(\$10,074)</u>	<u>(\$9,392)</u>

GAAP Net Loss to Non-GAAP Adjusted Net Loss:

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

(in thousands)

	<i>Three Months Ended</i>	
	<i>September 30,</i>	
	<u>2013</u>	<u>2012</u>
Net loss (GAAP)	<u>(\$12,009)</u>	<u>(\$6,961)</u>
Non-GAAP adjustments:		
Compensation, net of tax ⁽¹⁾	1,918	89
Legal, consulting, and recruiting, net of tax ⁽¹⁾	1,029	834
Deferred tax asset valuation allowance	(895)	--
Adjusted net loss (non-GAAP)	<u>(\$9,957)</u>	<u>(\$6,038)</u>

- (1) The effective tax rate utilized in this non-GAAP adjusted net loss reconciliation is (23.2%) for the three months ended September 30, 2013 and 38.1% for the three months ended September 30, 2012. This rate is inclusive of a deferred tax asset valuation allowance of \$15.0 million recorded at September 30, 2013.

GAAP Net Loss Per Share to Non-GAAP Adjusted Net Loss Per Share:

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

	<i>Three Months Ended</i>	
	<i>September 30,</i>	
	<u>2013</u>	<u>2012</u>
Diluted EPS (GAAP)	<u>(\$0.28)</u>	<u>(\$0.17)</u>
Non-GAAP adjustments:		
Compensation, net of tax ⁽¹⁾	0.05	--
Legal, consulting, and recruiting, net of tax ⁽¹⁾	0.02	0.03
Deferred tax asset valuation allowance	(0.02)	--
Adjusted diluted EPS (non-GAAP)	<u>(\$0.23)</u>	<u>(\$0.14)</u>

- (1) The effective tax rate utilized in this non-GAAP adjusted net loss reconciliation is (23.2%) for the three months ended September 30, 2013 and 38.1% for the three months ended September 30, 2012. This rate is inclusive of a deferred tax asset valuation allowance of \$15.0 million recorded at September 30, 2013.