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, 2015

OR

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

FOR THE TRANSITION PERIOD FROM TO

Commission File Number 0-19658

TUESDAY MORNING CORPORATION

(Exact Name of Registrant as Specified in its Charter)

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

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

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

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

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

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

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

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

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

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 October 27, 2015**
Common Stock, par value $0.01 per share	44,325,776

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Item 1. Financial Statements

Tuesday Morning Corporation
Consolidated Balance Sheets
September 30, 2015 (unaudited) and June 30, 2015
(In thousands, except share and per share data)

	September 30, 2015	June 30, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 23,284	$ 44,788
Inventories	269,563	209,984
Prepaid expenses	8,207	6,978
Other current assets	530	823
Total Current Assets	301,584	262,573
Property and equipment, net	74,140	70,447
Deferred financing costs	1,499	871
Other assets	758	984
Deferred income tax — non-current	1,030	1,030
Total Assets	$ 379,011	$ 335,905
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 120,512	$ 74,242
Accrued liabilities	39,231	36,914
Deferred income taxes	1,030	1,030
Total Current Liabilities	160,773	112,186
Deferred rent	3,667	3,072
Income tax payable — non-current	339	358
Total Liabilities	164,779	115,616
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; 46,095,674 shares issued and 44,334,522 shares outstanding at September 30, 2015 and 45,830,244 shares issued and 44,069,092 shares outstanding at June 30, 2015	461	458
Additional paid-in capital	227,165	227,085
Retained deficit	(6,733)	(593)
Less: 1,761,152 common shares in treasury, at cost, at September 30, 2015 and at June 30, 2015	(6,661)	(6,661)
Total Stockholders' Equity	214,232	220,289
Total Liabilities and Stockholders' Equity	$ 379,011	$ 335,905

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,	
	2015	2014
Net sales	$ 202,328	$ 202,208
Cost of sales	129,654	130,274
Gross profit	72,674	71,934
Selling, general and administrative expenses	78,630	77,689
Operating loss	(5,956)	(5,755)
Other income/(expense):		
Interest expense, net	(434)	(364)
Other income/(expense), net	185	(35)
Other expense, net	(249)	(399)
Loss before income taxes	(6,205)	(6,154)
Income tax (benefit)/provision	(65)	76
Net loss	$ (6,140)	$ (6,230)
Loss Per Share		
Net loss per common share:		
Basic	$ (0.14)	$ (0.14)
Diluted	$ (0.14)	$ (0.14)
Weighted average number of common shares:		
Basic	43,638	43,324
Diluted	43,638	43,324
Dividends per common share	$ —	$ —

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

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

	Three Months Ended September 30,	
	2015	**2014**
Net cash flows from operating activities:		
Net loss	$ (6,140)	$ (6,230)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	3,652	3,059
Amortization of financing fees	238	149
(Gain)/loss on disposal of assets	(3)	259
Share-based compensation	63	1,211
Change in operating assets and liabilities:		
Inventories	(59,559)	(56,417)
Prepaid and other current assets	(710)	(1,176)
Accounts payable	46,270	22,382
Accrued liabilities	4,640	(2,468)
Deferred rent	595	(464)
Income taxes payable	(19)	196
Net cash used in operating activities	(10,973)	(39,499)
Net cash flows from investing activities:		
Proceeds from sale of assets	35	—
Capital expenditures	(9,840)	(1,876)
Net cash used in investing activities	(9,805)	(1,876)
Net cash flows from financing activities:		
Payment of financing fees	(726)	—
Proceeds from the exercise of employee stock options	—	226
Net cash (used in)/provided by financing activities	(726)	226
Net decrease in cash and cash equivalents	(21,504)	(41,149)
Cash and cash equivalents, beginning of period	44,788	49,686
Cash and cash equivalents, end of period	$ 23,284	$ 8,537

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

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

1. Basis of presentation — The unaudited interim consolidated financial statements included herein have been prepared by us pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States ("GAAP") have been condensed or omitted pursuant to such rules and regulations. These financial statements include all adjustments, consisting only of those of a normal recurring nature, which, in the opinion of management, are necessary to present fairly the results of the interim periods presented and should be read in conjunction with the audited consolidated financial statements and notes thereto in our Annual Report on Form 10-K for the fiscal year ended June 30, 2015. The consolidated balance sheet at June 30, 2015 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, 2015. The results of operations for the three month period ended September 30, 2015 are not necessarily indicative of the results to be expected for the full fiscal year ending June 30, 2016, which we refer to as fiscal 2016.

The Company no longer presents 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 from these estimates. Our fiscal year ends on June 30 and we operate our business as a single operating segment.

2. Share-based incentive plans — **Stock Option Awards.** We have established the Tuesday Morning Corporation 1997 Long-Term Equity Incentive Plan, as amended (the "1997 Plan"), the Tuesday Morning Corporation 2004 Long-Term Equity Incentive Plan, as amended (the "2004 Plan"), the Tuesday Morning Corporation 2008 Long-Term Equity Incentive Plan (the "2008 Plan") and the Tuesday Morning Corporation 2014 Long-Term Incentive Plan (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 1997 Plan, the 2004 Plan, or the 2008 Plan, but equity awards granted under the 1997 Plan, the 2004 Plan and the 2008 Plan are still outstanding.

Stock options were awarded with a strike price at a fair market value equal to the average of the high and low trading prices of our common stock on the date of grant under the 1997 Plan and the 2004 Plan. Stock options were awarded with a strike price at a fair market value equal to the closing price of our common stock on the date of the grant under the 2008 Plan and the 2014 Plan.

Options granted under the 1997 Plan and the 2004 Plan typically vest over periods of one to five years and expire ten years from the date of grant, while options granted under the 2008 Plan and the 2014 Plan typically vest over periods of one to four years and expire ten years from the date of grant. The exercise prices of stock options outstanding on September 30, 2015, range between $1.24 per share and $21.86 per share. The 1997 Plan and the 2004 Plan terminated pursuant to their terms as of December 29, 2007 and May 17, 2014, respectively, and we terminated the 2008 Plan as of November 12, 2014 in connection with the approval of the 2014 Plan. There were 4.4 million shares available for grant under the 2014 Plan at September 30, 2015.

Restricted Stock Awards. The 1997 Plan, the 2004 Plan, the 2008 Plan, and the 2014 Plan authorize the grant of restricted stock awards to directors, officers, key employees and certain other key individuals who perform services for us and our subsidiaries. Equity awards may no longer be granted under the 1997 Plan, the 2004 Plan, and the 2008 Plan, but restricted stock awards granted under the 2004 Plan and the 2008 Plan are still outstanding. Restricted stock awards are not transferable, but bear certain rights of common stock ownership including voting and dividend rights. Shares are valued at the fair market value of our common stock at the date of award. Shares may be subject to certain performance requirements. If the performance requirements are not met, the restricted shares are forfeited. At December 31, 2007, all shares under the 1997 Plan had been granted and the 1997 Plan terminated pursuant to its terms as of December 29, 2007. Under the 2004 Plan, the 2008 Plan and the 2014 Plan, as of September 30, 2015, there were 685,622 shares of restricted stock outstanding, both performance-based and other, with award vesting periods of one to four years and a weighted average grant date fair value of $11.78 per share.

Performance-Based Restricted Stock Awards and Performance-Based Stock Option Awards. As of September 30, 2015 there were 87,500 performance-based restricted stock awards and performance-based stock option awards outstanding under the 2008 Plan and the 2014 Plan.

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

	Three Months Ended September 30,	
	2015	2014
Amortization of share-based compensation during the period	$ 83	$ 1,353
Amounts capitalized in ending inventory	(182)	(383)
Amounts recognized and charged to cost of sales	162	241
Amounts charged against income for the period before tax	$ 63	$ 1,211

3. Commitments and contingencies — From time to time, the Company is involved in litigation which is incidental to its business. In the Company's opinion, no litigation to which the Company is currently a party is likely to have a material adverse effect on the Company's consolidated financial condition, results of operations, or cash flows.

4. Loss 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,	
	2015	2014
Net loss	$ (6,140)	$ (6,230)
Less: Income to participating securities	—	—
Net loss attributable to common shares	$ (6,140)	$ (6,230)
Weighted average number of common shares outstanding basic	43,638	43,324
Effect of dilutive stock equivalents	—	—
Weighted average number of common shares outstanding dilutive	43,638	43,324
Net loss per common share basic	$ (0.14)	$ (0.14)
Net loss per common share diluted	$ (0.14)	$ (0.14)

For the quarters ended September 30, 2015 and September 30, 2014, all options representing rights to purchase shares were excluded from the diluted loss per share calculation as the Company had a net loss for those periods and the assumed exercise of such options would have been anti-dilutive.

5. Revolving credit facility — *New Revolving Credit Facility*. On August 18, 2015, we entered into a new credit agreement providing for an asset-based, five-year senior secured revolving credit facility in the amount of up to $180.0 million which matures on August 18, 2020 (the "New Revolving Credit Facility"), and which replaced our previous revolving credit facility. The availability of funds under the New Revolving Credit Facility is limited to the lesser of a calculated borrowing base and the lenders' aggregate commitments under the New Revolving Credit Facility. Our indebtedness under the New Revolving Credit Facility is secured by a lien on substantially all of our assets. The New 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 New 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 New 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 New 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 New Revolving Credit Facility on a pro forma basis for a specified period prior to and immediately following the restricted payment. As of September 30, 2015, we were in compliance with all of the New Revolving Credit Facility covenants.

At September 30, 2015, we had no amounts outstanding under the New Revolving Credit Facility, $5.9 million of outstanding letters of credit and availability of $153.7 million under the New Revolving Credit Facility. Letters of credit under the New

Revolving Credit Facility are primarily for self-insurance purposes. We incur commitment fees of up to 0.25% on the unused portion of the New Revolving Credit Facility. Any borrowing under the New Revolving Credit Facility incurs interest at LIBOR or the prime rate, plus an applicable margin, at our election (except with respect to swing loans, which incur interest solely at the prime rate plus the applicable margin). These rates are increased or reduced as our average daily availability changes. Interest expense for the first quarter of both the current fiscal year and prior fiscal year of $0.4 million was comprised of commitment fees of $0.2 million and the amortization of financing fees of $0.2 million.

Prior Revolving Credit Facility. Prior to entering into the New Revolving Credit Facility on August 18, 2015, we were 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 maturing on November 17, 2016. We incurred commitment fees of up to 0.375% on the unused portion of the prior facility. Any borrowing under the prior facility incurred interest at LIBOR or the prime rate, plus an applicable margin, at our election (except with respect to swing loans, which incurred interest solely at the prime rate plus the applicable margin). These rates increased or reduced as our average daily availability changed.

6. Depreciation — Accumulated depreciation of owned equipment and property at September 30, 2015 and June 30, 2015 was $123.5 million and $122.1 million, respectively.

7. Income taxes — Tuesday Morning Corporation or one of its subsidiaries files income tax returns in the U.S. federal, state and local taxing jurisdictions. With a few exceptions, Tuesday Morning Corporation and its subsidiaries are no longer subject to state and local income tax examinations for years on or before June 30, 2010. The U.S. federal income tax statute of limitations has expired for all taxable years ended on or before June 30, 2011.

The effective tax rate for the quarters ended September 30, 2015 and September 30, 2014 was 1.0% and (1.2%), respectively. A full valuation allowance is currently recorded against the Company's deferred tax assets as the Company was in a three year cumulative loss position as of June 30, 2014 and June 30, 2015. A deviation from the customary relationship between income tax expense/(benefit) and pretax loss results from the valuation allowance.

8. Cash and cash equivalents — Cash and cash equivalents are comprised of cash, 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, 2015 and June 30, 2015, credit card receivables from third party consumer credit card providers were $4.3 million and $3.7 million, respectively. Such receivables are generally collected within one week of the balance sheet date.

9. Recent accounting pronouncements — There were no accounting pronouncements issued during the first quarter of fiscal 2016 that materially affected the Company.

In April 2015, the Financial Accounting Standards Board (FASB) issued ASU 2015-03, Interest—Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs. The update requires debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability instead of being presented as an asset. Debt disclosures will include the face amount of the debt liability and the effective interest rate. The update requires retrospective application and represents a change in accounting principle. ASU 2015-03 will be effective for the Company in fiscal 2017. Early adoption is permitted for financial statements that have not been previously issued. In June 2015, the FASB issued ASU 2015-15, Interest—Imputation of Interest: Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements. As the guidance in ASU 2015-03 does not address presentation or subsequent measurement of debt issuance costs related to line-of-credit arrangements, ASU 2015-15 indicates that the SEC staff would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. The Company has adopted both ASU 2015-03 and ASU 2015-15 early as of the first quarter of fiscal 2016 and adoption did not have a material impact on the Company's consolidated results of operations or financial position.

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, 2015.

Business Overview

- We are a leading off-price retailer specializing in selling deeply discounted, upscale decorative home accessories, housewares, seasonal goods and famous-maker gifts. We are nationally known for providing a fresh selection of brand name, high-quality merchandise – never seconds or irregulars – at prices generally below those of department and specialty stores, catalogues and online retailers. We opened our first store in 1974 and operated 757 stores in 41 states as of September 30, 2015 and 801 stores in 41 states as of September 30, 2014. Our strong everyday value proposition is also supported with periodic circulars and direct mail that keep customers familiar with Tuesday Morning.
- Net sales for the first quarter of fiscal 2016 were $202.3 million, an increase of $0.1 million, from $202.2 million for the same period last year. Comparable store sales for the quarter ended September 30, 2015 increased by 3.6%, compared to the same period last year, which was due to a 5.6% increase in customer transactions, partially offset by a 1.9% decrease in average ticket.
- Cost of sales, as a percentage of net sales, for the first quarter of fiscal 2016 was 64.1%, compared to 64.4% for the same period last year.
- For the first quarter of fiscal 2016, selling, general and administrative expenses increased $0.9 million to $78.6 million, from $77.7 million for the same quarter last year.
- We had a net loss of $6.1 million and a net loss per share of $0.14 for the quarter ended September 30, 2015, compared to a net loss of $6.2 million and a net loss per share of $0.14 for the same period last year.
- Inventory levels at September 30, 2015 increased $59.6 million to $269.6 million from $210.0 million at June 30, 2015 due to normal seasonal selling patterns. Compared to the same date last year, inventories increased $5.4 million from $264.2 million at September 30, 2014. Inventory turnover for the trailing five quarters is 2.5 turns, consistent with the trailing five quarters as of September 30, 2014.
- Cash and cash equivalents at September 30, 2015 decreased $21.5 million to $23.3 million from $44.8 million at June 30, 2015. Compared to the same date last year, cash and cash equivalents increased $14.8 million from $8.5 million at September 30, 2014.

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.

Three Months Ended September 30, 2015

Compared to the Three Months Ended September 30, 2014

Net sales for the first quarter of fiscal 2016 were $202.3 million, an increase of $0.1 million from $202.2 million for the same period last year. Comparable store sales for the first quarter of fiscal 2016 increased by 3.6% compared to the first quarter of fiscal 2015. Stores are included in the same store sales calculation at the beginning of the quarter following the anniversary date of the store opening. A store that relocates within the same geographic market or modifies its available retail space is generally considered the same store for purposes of this computation. The increase in comparable store sales for the first quarter of fiscal 2016 was comprised of a 5.6% increase in customer transactions, partially offset by a 1.9% decrease in average ticket. Our comparable store sales increase was almost wholly offset by a decrease in our non-comparable store sales, which decreased a total of $6.9 million. 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 is driven by 52 store closures, partially offset by eight store openings, which have occurred since the end of the first quarter of fiscal 2015.

Store Openings/Closings

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Fiscal Year Ended June 30, 2015
Stores open at beginning of period	769	810	810
Stores opened during the period	2	—	6
Stores closed during the period	(14)	(9)	(47)
Stores open at end of period	757	801	769

We ended the first quarter of fiscal 2016 with 757 stores, compared to 801 stores at the end of the first quarter of the prior year. We relocated 14 existing stores during the first quarter of fiscal 2016 and 10 stores in the first quarter of the prior fiscal year.

Gross profit for the first quarter of fiscal 2016 was $72.7 million, an increase of 1.1% compared to $71.9 million in gross profit for the first quarter of fiscal 2015. Gross profit as a percentage of net sales was 35.9% for the first quarter of fiscal 2016, an improvement compared to 35.6% for the first quarter of fiscal 2015. Improvement in gross profit was primarily driven by increased initial mark-up, partially offset by an increase in markdowns in the current period.

Selling, general and administrative expenses increased $0.9 million for the first quarter of fiscal 2016 to $78.6 million, compared to $77.7 million for the first quarter of last year, due to costs related to our new Phoenix distribution center along with higher store rent, occupancy costs, and depreciation, as well as higher legal and professional fees, all partly offset by reduced store labor expense, lower advertising costs and favorable share-based compensation expense. As a percent of net sales, selling, general and administrative expenses increased to 38.9% for the first quarter of fiscal 2016 from 38.4% for the first quarter of fiscal 2015.

Our operating loss was $6.0 million for the first quarter of fiscal 2016 as compared to an operating loss of $5.8 million for the first quarter of fiscal 2015.

Income tax benefit for the first quarter of fiscal 2016 was $0.1 million compared to income tax expense of $0.1 million for the same period last year. The effective tax rates for the first quarter of fiscal 2016 and fiscal 2015 were 1.0% and (1.2%), respectively. A full valuation allowance is currently recorded against the Company's deferred tax assets, as the Company was in a three year cumulative loss position as of June 30, 2014 and June 30, 2015. A deviation from the customary relationship between income tax expense/(benefit) and pretax loss results from the valuation allowance.

We had a net loss of $6.1 million, or $0.14 per share, for the first quarter of fiscal 2016 compared to a net loss of $6.2 million, or $0.14 per share, for the first quarter of fiscal 2015.

Liquidity and Capital Resources

Cash Flows from Operating Activities

Net cash used in operating activities for the three months ended September 30, 2015 and 2014 was $11.0 million and $39.5 million, respectively. The $11.0 million of cash used in operating activities for the three months ended September 30, 2015 was primarily due to an increase in inventory of $59.6 million, largely offset by an increase in accounts payable of $46.3 million, along with $4.6 million of increased accrued liabilities, and a $2.5 million net loss before depreciation. The $39.5 million of cash used in operating activities for the three months ended September 30, 2014 was primarily due to an increase in inventory of $56.4 million, partially offset by an increase in accounts payable of $22.4 million, along with $2.5 million of decreased accrued liabilities, and a $3.1 million net loss before depreciation. There were no significant changes to our vendor payment policy during the three months ended September 30, 2015. The primary reason for the reduction in cash used during the current year period as compared to the prior year period is the lower increase in inventory net of accounts payable in the current year period and the timing of cash disbursements.

Cash Flows from Investing Activities

Net cash used in investing activities for the three months ended September 30, 2015 and 2014 relates to capital expenditures. Capital expenditures are primarily associated with store relocations, new store openings, capital improvements to existing stores, enhancements to our distribution center facilities, equipment, and systems along with improvements related to our corporate office and equipment. Cash used in investing activities totaled $9.8 million and $1.9 million for the three months ended September 30, 2015 and 2014, respectively. The increase in capital expenditures in the current year period as compared to the prior year period is primarily driven by $2.9 million of spending on our new Phoenix distribution center and related information technology and $2.6 million of spending on new and relocated stores.

Cash Flows from Financing Activities

Net cash used in financing activities was $0.7 million for the three months ended September 30, 2015, compared to net cash provided by financing activities of $0.2 million for the three months ended September 30, 2014. The cash used in the current year period for financing activities relates to the payment of financing costs for our new revolving credit facility. The cash provided by financing activities in the prior year period was due to stock option exercises and related tax impacts.

New Revolving Credit Facility

On August 18, 2015 we entered into a new credit agreement providing for an asset-based, five-year senior secured revolving credit facility in the amount of up to $180.0 million which matures on August 18, 2020 (the "New Revolving Credit Facility"), and which replaced our previous revolving credit facility. The availability of funds under the New Revolving Credit Facility is limited to the lesser of a calculated borrowing base and the lenders' aggregate commitments under the New Revolving Credit Facility. Our indebtedness under the New Revolving Credit Facility is secured by a lien on substantially all of our assets. The New 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 New 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 New 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 New 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 New Revolving Credit Facility on a pro forma basis for a specified period prior to and immediately following the restricted payment. As of September 30, 2015, we were in compliance with all of the New Revolving Credit Facility covenants.

At September 30, 2015, we had no amounts outstanding under the New Revolving Credit Facility, $5.9 million of outstanding letters of credit and availability of $153.7 million under the New Revolving Credit Facility. Letters of credit under the New Revolving Credit Facility are primarily for self-insurance purposes. We incur commitment fees of up to 0.25% on the unused portion of the New Revolving Credit Facility. Any borrowing under the New Revolving Credit Facility incurs interest at LIBOR or the prime rate, plus an applicable margin, at our election (except with respect to swing loans, which incur interest solely at the prime rate plus the applicable margin). These rates are increased or reduced as our average daily availability changes. Interest expense for the first quarter of both the current fiscal year and prior fiscal year of $0.4 million was comprised of commitment fees of $0.2 million and the amortization of financing fees of $0.2 million.

Liquidity

We have financed our operations with funds generated from operating activities, available cash and cash equivalents and borrowings under our then-existing revolving credit facility. Cash and cash equivalents were $23.3 million as of September 30, 2015 and $8.5 million at September 30, 2014. 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 our Board of Directors. Our borrowings have historically peaked during the 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 New Revolving Credit Facility may fluctuate materially depending on various factors, including the time of year, our 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 New 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, 2015.

As of September 30, 2015, 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, 2015.

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 in accordance with accounting principles generally accepted in the

United States. 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 from these estimates.

There were no changes to our critical accounting policies during the first quarter of fiscal 2016.

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 during the first quarter of fiscal 2016 were 5.0% of sales compared to 4.7% 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, 2015 would result in a decline in gross profit and earnings per share for the first quarter of fiscal 2016 of $1.3 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, 2015.

Recent Accounting Pronouncements

There were no material accounting pronouncements issued during the first quarter of fiscal 2016 that affected the Company.

In April 2015, the Financial Accounting Standards Board (FASB) issued ASU 2015-03, Interest—Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs. The update requires debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability instead of being presented as an asset. Debt disclosures will include the face amount of the debt liability and the effective interest rate. The update requires retrospective application and represents a change in accounting principle. ASU 2015-03 will be effective for the Company in fiscal 2017. Early adoption is permitted for financial statements that have not been previously issued. In June 2015, the FASB issued ASU 2015-15, Interest—Imputation of Interest: Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements. As the guidance in ASU 2015-03 does not address presentation or subsequent measurement of debt issuance costs related to line-of-credit arrangements, ASU 2015-15 indicates that the SEC staff would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. The Company has adopted both ASU 2015-03 and ASU 2015-15 early as of the first quarter of fiscal 2016 and adoption did not have a material impact on the Company's consolidated results of operations or financial position.

Forward-Looking Statements

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

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, 2015 for examples of risks, uncertainties and events that could cause our actual results to differ materially from the expectations expressed in our forward-looking statements. These risks, uncertainties and events also include, but are not limited to, the following:

- our ability to successfully implement our long-term business strategy;
- changes in economic and political conditions which may adversely affect consumer spending;
- our failure to identify and respond to changes in consumer trends and preferences;
- our ability to continuously attract buying opportunities for off-price merchandise and anticipate consumer demand;
- our ability to successfully manage our inventory balances profitably;

- loss of or disruption in our centralized distribution center;
- loss or departure of one or more members of our senior management or other key management employees;
- increased or new competition;
- our ability to successfully execute our strategy of opening new stores and relocating or expanding existing stores;
- increases in fuel prices and changes in transportation industry regulations or conditions;
- our ability to generate strong cash flows from operations and to continue to access credit markets;
- increases in the cost or a disruption in the flow of our imported products;
- the success of our marketing, advertising and promotional efforts;
- our ability to attract, train and retain quality associates in appropriate numbers, including key associates and management;
- seasonal and quarterly fluctuations;
- our ability to maintain and protect our information technology systems and technologies;
- our ability to protect the security of information about our business and our customers, suppliers, business partners and employees;
- our ability to comply with existing, changing, and new government regulations;
- our ability to manage litigation risks from our customers, employees and other third parties;
- our ability to manage risks associated with product liability claims and product recalls;
- the impact of adverse local conditions, natural disasters and other events; and
- our ability to manage the negative effects of inventory shrinkage.

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 undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date on which the statements were made or to reflect the occurrence of unanticipated events. Investors are cautioned not to place undue reliance on any forward-looking statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to the Company's market risks as disclosed in our Annual Report on Form 10-K filed for the fiscal year ended June 30, 2015.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Based on our management's evaluation (with participation of our principal executive officer and our principal financial officer), our principal executive officer and our principal financial officer have concluded that our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) were effective as of September 30, 2015 to provide reasonable assurance that information required to be disclosed by us in this quarterly report on Form 10-Q was (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, 2015 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

From time to time, the Company is involved in litigation which is incidental to its business. In the Company's opinion, no litigation to which the Company is currently a party is likely to have a material adverse effect on the Company's consolidated financial condition, results of operations or cash flows.

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, 2015.

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, 2015 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	—	$ —	—	$ 3,339,468
August 1 through August 31	—	$ —	—	$ 3,339,468
September 1 through September 30	—	$ —	—	$ 3,339,468
Total	—	$ —	—	$ 3,339,468

(1) On August 22, 2011, the Company's Board of Directors adopted a share Repurchase Program pursuant to which the Company is 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, the Company's 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 the Company will repurchase. During the three months ended September 30, 2015, no shares were repurchased under the Repurchase Program.

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	Credit Agreement dated as of August 18, 2015 by and among Tuesday Morning, Inc., each of the subsidiary guarantors, the Company, TMI Holdings, Inc., the lenders party thereto from time to time, JPMorgan Chase Bank, N.A., as Administrative Agent, Wells Fargo, National Association, as Syndication Agent (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K (File No. 000-19658) filed with the Commission on August 19, 2015)
10.2	Guarantee and Collateral Agreement, dated as of August 18, 2015, by and among the Company, TMI Holdings, the Borrower and certain subsidiaries of the Borrower and any other subsidiary who may become a party thereto and JPMorgan Chase Bank, N.A., as administrative agent (incorporated by reference to Exhibit 10.2 to the Company's Form 8-K (File No. 000-19658) filed with the Commission on August 19, 2015)
10.3	Severance Agreement and Release dated as of July 2, 2015 by and between Tuesday Morning, Inc. and Susan Davidson (incorporated by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K (File No. 000-19658) for the fiscal year ended June 30, 2015 as filed with the Commission on August 20, 2015) †
10.4	Consulting Agreement dated August 20, 2015 by and between Tuesday Morning, Inc. and William Montalto †
10.5	Consulting Agreement dated September 28, 2015 by and between R. Michael Rouleau and Tuesday Morning, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K (File No. 000-19658) as filed with the Commission on September 29, 2015) †
10.6	Form of Non-Qualified Stock Option Agreement for Employees under the Tuesday Morning Corporation 2014 Long-Term Incentive Plan †
10.7	Form of Restricted Stock Award Agreement for Employees under the Tuesday Morning Corporation 2014 Long-Term Incentive Plan †
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

SIGNATURE

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: October 29, 2015

By: /s/ Kelly J. Munsch
Kelly J. Munsch
Vice President, Controller
(Interim Principal Financial Officer and
Interim Chief Accounting Officer)

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* 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

Exhibit 10.4

CONSULTING AGREEMENT

This Consulting Agreement ("***Agreement***") is entered into on and effective as of August 20, 2015 ("***Effective Date***"), by and between Tuesday Morning, Inc., a Texas corporation (the "***Company***"), and William Montalto, an individual ("***Consultant***").

RECITALS

The Company wishes to utilize certain services which can be performed by Consultant, and Consultant can provide and desires to render to the Company such services, and the parties agree that it would be to their mutual advantage to execute this Agreement and thereby define the terms and conditions which shall control the rendering of services provided to the Company by Consultant.

In consideration of the promises and mutual covenants in this Agreement, the Company and Consultant agree as follows:

I. SERVICES TO BE PROVIDED BY CONSULTANT

A. **Description of Consulting Services**. Subject to the terms of this Agreement, the Company retains Consultant, and Consultant agrees with the Company, to serve as a consultant to the Company, subject to and in accordance with the authority and direction of Michael Rouleau or such other person designated by the Company, for the purpose of providing IT consulting services (collectively, the "***Consulting Services***"). It is agreed that Consultant shall direct all communications with the Company through Michael Rouleau. It is further agreed that other consulting services may be undertaken that are outside the foregoing scope of services by mutual consent.

B. **Company's Reliance**. The Company is entering into this Agreement in reliance on Consultant's special and unique abilities in rendering the Consulting Services and Consultant will use Consultant's best effort, skill, judgment, and ability in rendering the Consulting Services.

C. **Representations by Consultant**. Consultant represents to the Company that Consultant is under no contractual, legal or fiduciary obligation or burden that reasonably may be expected to interfere with Consultant's ability to perform the Consulting Services in accordance with the Agreement's terms, including without limitation any agreement or obligation to or with any other company, and that Consultant is not bound by the terms of any agreement with any previous employer or other party to refrain from using or disclosing any trade secret or confidential or proprietary information in the course of Consultant's engagement by the Company or to refrain from competing, directly or indirectly, with the business of any other party. Consultant agrees that Consultant will not use, distribute or provide to anyone at the Company any confidential or proprietary information belonging to any other company or entity, at any time during Consultant's performance under this Agreement. Consultant further represents that Consultant's performance of the Consulting Services will not breach any agreement to keep in confidence proprietary information, knowledge or data acquired by Consultant in confidence or in trust prior to this Agreement, and Consultant will not disclose to

the Company or induce the Company to use any confidential or proprietary information or material belonging to any other party.

D. **Nature of Relationship Between Parties**. Consultant will render the Consulting Services in this Agreement as an independent contractor. Except as otherwise specifically agreed to by the Company in writing, Consultant will have no authority or power to bind the Company with respect to third parties and Consultant shall not represent to third parties that Consultant has authority or power to bind the Company. It is not the intention of the parties to this Agreement to create, by virtue of this Agreement, any employment relationship, trust, partnership, or joint venture between Consultant and the Company or any of its affiliates, except as specifically provided in this Agreement, to make them legal representatives or agents of each other or to create any fiduciary relationship or additional contractual relationship among them.

II. COMPENSATION FOR CONSULTING SERVICES

A. **Compensation**. As full compensation for the Consulting Services rendered pursuant to this Agreement, the Company shall pay Consultant the following fee (the "***Consulting Fee***"): $12,000.00 per month. The Consulting Fee shall be paid on a monthly basis at the end of each month.

B. **Expense Reimbursement**. Consultant shall present a statement for the expenses, including accompanying vouchers, receipts, or other supporting documentation, on a monthly basis. Such statement shall include reasonable documentation that the amount involved was expended and related to the Consulting Services provided under this Agreement. The Company will provide reimbursement for all reasonable expenses within twenty (20) calendar days from the receipt of each statement. Expense reimbursements to Consultant shall not include any compensation for overhead or profit.

C. **Benefits**. Consultant shall at all times be an independent contractor (and not an employee or agent of the Company); therefore, Consultant shall not be entitled to participate in any benefit plans or programs that the Company provides or may provide to its employees, including, but not limited to, pension, profit-sharing, medical, dental, workers' compensation, occupational injury, life insurance and vacation or sick benefits.

D. **Workers' Compensation**. Consultant understands and acknowledges that the Company shall not obtain workers' compensation insurance covering the Consultant.

III. PAYMENT OF TAXES

A. **Federal, State, and Local Taxes**. Neither federal, state, or local income tax nor payroll tax of any kind shall be withheld or paid by the Company on behalf of Consultant. Consultant shall not be an employee of the Company with respect to services performed under the Agreement for federal, state, or local tax purposes.

B. **Notices to Contractor About Tax Duties And Liabilities**. Consultant understands that Consultant is responsible for paying, according to the applicable law, Consultant's income taxes. The parties agree that any tax consequences or liability arising from the Company's payments to Consultant shall be the sole responsibility of Consultant. Should any state or federal taxing authority determine that any of the payments under Section II constitute income subject to withholding under any federal or state law, then Consultant agrees

to indemnify and hold the Company harmless for any and all tax liability, including, but not limited to, taxes, levies, assessments, fines, interest, costs, expenses, penalties, and attorneys' fees.

IV. WARRANTY, INDEMNIFICATION AND COVENANTS

A.Warranty. Consultant warrants that the Consulting Services shall be performed and completed in accordance with commercially reasonable industry standards, practices and principles for similar types of engagements utilizing the Consultant's best efforts, and in compliance with all applicable laws. Consultant agrees to indemnify and hold the Company harmless against any claim against the Company arising from, as a result of, in connection with, or relating to Consultant's dishonesty, willful misconduct, or gross negligence in performing this Agreement or for Consultant's breach of this Agreement. This indemnity obligation shall survive the termination of this Agreement. Consultant hereby grants, assigns and transfers to the Company all rights, title and interest in and to any work product produced by Consultant in connection with performing the Consulting Services.

B.Indemnification. Except as otherwise provided in this Agreement, the Company shall indemnify, defend and hold Consultant harmless from and against any claims, suits or proceedings arising from the Consulting Services provided by Consultant under this Agreement.

C.Consultant's Standard of Care. Subject to the other Agreement provisions, Consultant will provide Consultant's services under this Agreement with the same degree of care, skill, and prudence that would be customarily exercised in the Company's best interest. In addition, from time to time, Consultant will interface with various members of the Company's staff or be on the Company's premises. On all such occasions, Consultant shall act appropriately and professionally, including, without limitation, refraining from any offensive or harassing behavior whether based on an individual's sex, race, religion, national origin, age, sexual orientation, disability, or other characteristic protected by federal, state or local law. Failure to comply with this expectation may result in immediate termination of this Agreement.

D. Confidentiality.

i. Confidential Information. The Company shall provide Consultant Confidential Information (defined below). Consultant acknowledges that during Consultant's engagement with the Company, the Company shall grant Consultant otherwise prohibited access to its trade secrets and other 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: software, technical, and business information relating to the Company's inventions and products (including product construction and product specifications), research, development, production processes, manufacturing and engineering processes, finances, services, know-how, technical data, policies, strategies, designs, formulas, programming standards, developmental or experimental work, improvements, discoveries, plans for research or future products, database schemas or tables, infrastructure, development tools or techniques, training manuals, marketing and sales plans and strategies, business plans, budgets, financial information and data, customer and client information, prices and pricing strategies, costs, customer and client lists and profiles, employee, customer and client nonpublic personal

information, supplier lists, business records, audit processes, management methods and information, reports, recommendations and conclusions, information regarding the names, contact information, skills and compensation of employees and contractors of the Company, and other business information disclosed or made available to Consultant by the Company, either directly or indirectly, in writing, orally, or by drawings or observation.

ii. Non-Disclosure.

a. In exchange for the Company's agreement to provide Consultant with Confidential Information and to protect the Company's legitimate business interests, Consultant shall hold all Confidential Information in strict confidence. Consultant shall not, during the Term of this Agreement 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: (1) necessary for the performance of the Consulting Services; or (2) permitted by law. Consultant shall use all reasonable precautions to assure that all Confidential Information is properly protected and kept from unauthorized persons. Consultant acknowledges and agrees that all Confidential Information that will be provided to Consultant during the Term of this Agreement is and will continue to be the exclusive property of the Company. Consultant further agrees that it will obtain from any such third party to whom it discloses (as permitted above) any Confidential Information, a written undertaking (in form and substance satisfactory to the Company in its sole discretion) of the third party to keep the information confidential.

b. During the Term of this Agreement, 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. Consultant 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 Consultant's engagement with the Company and in accordance with the Company's agreement with such third party.

E. Agreement to Return Company Property/Documents. Following the termination of the Agreement for any reason, Consultant agrees that: (i) Consultant will not take, copy, alter, destroy, or delete any files, documents or other materials whether or not embodying or recording any Confidential Information, including copies, without obtaining in advance the explicit written consent of an authorized Company representative; and (ii) Consultant will promptly return to the Company all Confidential Information, documents, files, records and tapes (written or electronically stored) that have been in its possession or control regarding the Company, and Consultant will not use or disclose such materials in any way or in any format, including written information in any form, information stored by electronic means, and any and all copies of these materials. Consultant further agrees to return to the Company immediately all Company property issued at any time during the Term of this Agreement, including, without limitation, keys, equipment, computer(s) and computer equipment, devices, data, lists, information, correspondence, notes, memos, reports, or other writings prepared by the Company or Consultant on behalf of the Company.

V. PERIOD OF AGREEMENT; TERMINATION

A. **Period**. This Agreement is effective from the Effective Date and shall continue until December 31, 2015, or such earlier date on which it is terminated by either party ("***Term***"). This Agreement governs all Consulting Services performed by Consultant for the Company during the Term of this Agreement. The Company may terminate this Agreement for any reason, at any time, upon 15 calendar days prior written notice to the Consultant, or upon such shorter notice if agreed to in writing by the Consultant. The Consultant may terminate this Agreement for any reason, at any time, upon 15 calendar days prior written notice to the Company, or upon such shorter notice if agreed to in writing by the Company. If this Agreement is terminated, and the parties fail to execute a new Agreement, all services will be discontinued as of the date of such termination; provided, however, the Company shall pay Consultant a prorated portion of the Consulting Fee for the month in which the early termination occurs.

B. **Survival**. The provisions set forth in Section IV shall survive termination or expiration of this Agreement. In addition, all provisions of this Agreement, which expressly continue to operate after the termination of this Agreement, shall survive the Agreement's termination or expiration.

VI. OTHER PROVISIONS

A. **Notices**. Any notice or other communication required, permitted or desired to be given under this Agreement shall be deemed delivered when personally delivered; the next business day, if delivered by overnight courier; the same day, if transmitted by facsimile or electronic mail on a business day before noon, CST; the next business day, if otherwise transmitted by facsimile; and the third business day after mailing, if mailed by prepaid certified mail, return receipt requested, based on the most recent contact information provided by the party.

B. **Choice of Law and Waiver of Jury Trial**. This Agreement has been executed and delivered in, and shall be interpreted, construed, and enforced under the laws of, the State of Texas, without giving effect to its conflicts of law principles. Consultant knowingly and intentionally consents to jurisdiction in Dallas County, Texas. With respect to any dispute between Consultant and the Company arising out of or in any way related to this Agreement, Consultant agreed to resolve such dispute(s) before a judge without a jury. **CONSULTANT HAS KNOWLEDGE OF THIS POLICY, AND CONTINUES TO WORK FOR THE COMPANY THEREAFTER, HEREBY WAIVING CONSULTANT'S RIGHT TO TRIAL BY JURY AND AGREES TO HAVE ANY DISPUTE(S) ARISING BETWEEN THE COMPANY AND CONSULTANT ARISING OUT OF OR IN ANY WAY RELATED TO THIS AGREEMENT RESOLVED BY A JUDGE OF A COMPETENT COURT IN DALLAS COUNTY, TEXAS, SITTING WITHOUT A JURY.**

C. **Limitations on Assignment**. By entering into this Agreement, the Company is relying on the unique services of Consultant; services from another company or contractor will not be an acceptable substitute. Except as provided in this Agreement, Consultant may not assign this Agreement or any of the rights or obligations set forth in this Agreement without the explicit written consent of the Company. Any attempted assignment by Consultant in violation of this paragraph shall be void. Except as provided in this Agreement, nothing in this Agreement

entitles any person other than the parties to the Agreement to any claim, cause of action, remedy, or right of any kind, including, without limitation, the right of continued employment.

D. **Waiver**. A party's waiver of any breach or violation of any Agreement provision shall not operate as, or be construed to be, a waiver of any subsequent breach of the same or other Agreement provision.

E. **Severability**. If any provision(s) of this Agreement is held to be invalid, illegal, or unenforceable for any reason whatsoever, (i) the validity, legality, and unenforceability of the remaining provisions of this Agreement (including, without limitation, all portions of any paragraphs of this Agreement containing any provision held to be invalid, illegal, or unenforceable, that are not themselves invalid, illegal, or unenforceable), will not in any way be affected or impaired thereby, and (ii) the provision(s) held to be invalid, illegal, or unenforceable will be limited or modified in its or their application to the minimum extent necessary to avoid the invalidity, illegality or unenforceability, and, as so limited or modified, the provision(s) and the balance of this Agreement will be enforceable in accordance with their terms.

F. **Headings**. The headings contained in this Agreement are for reference purposes only and will not affect in any way the meaning or interpretation of this Agreement.

G. **Counterparts**. This Agreement and amendments to it will be in writing and may be executed in counterparts. Each counterpart will be deemed an original, but both counterparts together will constitute one and the same instrument.

H. **Entire Agreement, Amendment, Binding Effect**. This Agreement constitutes the entire agreement between the parties concerning the subject matter in this Agreement. No oral statements or prior written material not specifically incorporated in this Agreement shall be of any force and effect, and no changes in or additions to this Agreement shall be recognized, unless incorporated in this Agreement by written amendment, such amendment to become effective on the date stipulated in it. Any amendment to this Agreement must be signed by all parties to this Agreement. Consultant acknowledges and represents that in executing this Agreement, Consultant did not rely on, has not relied on, and specifically disavows any reliance on any communications, promises, statements, inducements, or representation(s), oral or written, by the Company, except as expressly contained in this Agreement. The parties represent that they relied on their own judgment in entering into this Agreement. This Agreement will be binding upon and inure to the benefit of the parties hereto and their respective successors, heirs, legal representatives, and permitted assigns (if any).

I. **Ambiguities**. Any rule of construction to the effect that ambiguities shall be resolved against the drafting party shall not apply to the interpretation of this Agreement.

J.Voluntary Agreement. Consultant acknowledges that Consultant has had an opportunity to consult with an attorney or other counselor (at Consultant's own cost) concerning the meaning, import, and legal significance of this Agreement, and Consultant has read this Agreement, as signified by Consultant's signature hereto, and Consultant is voluntarily executing the same after, if sought, advice of counsel for the purposes and consideration herein expressed.

* * * * *

By their signatures below, the parties certify that they have read the above Agreement and agree to its terms:

TUESDAY MORNING, INC.

By: /s/ R. Michael Rouleau

Printed Name: R. Michael Rouleau

Title:Chief Executive Officer

Date: August 20, 2015

WILLIAM MONTALTO

By: /s/ William Montalto

Date: 8/19/15

Exhibit 10.6

NONQUALIFIED STOCK OPTION AWARD AGREEMENT
FOR EMPLOYEES

Tuesday Morning Corporation
2014 Long-Term Incentive Plan

This **NONQUALIFIED STOCK OPTION AWARD AGREEMENT** (this "***Agreement***") is entered into between Tuesday Morning Corporation, a Delaware corporation (the "***Company***"), and _____ (the "***Participant***"). The Board of Directors of the Company has adopted, and the stockholders of the Company have approved, 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. The Company has agreed to grant the Participant this option to purchase shares of common stock of the Company as an inducement for the Participant's continued and effective performance of services for the Company. Any term used in this Agreement that is not specifically defined herein shall have the meaning specified in the Plan.

IT IS AGREED:

1. ***Grant of Option***. Subject to the terms of the Plan and this Agreement, on _____ (the "***Date of Grant***"), the Company granted to the Participant an option (the "***Option***") to purchase _____ shares of the common stock of the Company, $.01 par value per share ("***Common Stock***"), at a price of $_____ per share (the "***Option Price***"), subject to adjustment as provided in the Plan.

2. ***Type of Option***. The Option is a nonqualified stock option which is not intended to be governed by section 422 of the Code.

3. ***Participant's Agreement***. In accepting the Option, the Participant accepts and agrees to be bound by all the terms and conditions of the Plan which pertain to nonqualified stock options granted under the Plan.

4. ***Vesting of Option***. Subject to the provisions hereof and the provisions of the Plan, the Option will vest and become exercisable as follows:

(a) Except as otherwise provided in this Section 4, the Option will vest and become exercisable in accordance with the following schedule:

(i) on _____, the Option will vest with respect to, and may be exercised for up to, one-quarter (25%) of the shares of Common Stock subject to the Option;

(ii) on _____, the Option will vest with respect to, and may be exercised for up to, one-quarter (25%) of the shares of Common Stock subject to the Option;

(iii) on _____, the Option will vest with respect to, and may be exercised for up to, one-quarter (25%) of the shares of Common Stock subject to the Option; and

(iv) on _____, the Option will vest with respect to, and may be exercised for up to, one-quarter (25%) of the shares of Common Stock subject to the Option.

To the extent not exercised, installments shall be cumulative and may be exercised in whole or in part.

(b) Notwithstanding any provision of this Section 4 to the contrary, in the event of the Participant's Termination of Service due to the Participant's death or Total and Permanent Disability before a date provided in subsection (a), then all of the shares of Common Stock subject to the Option which have not yet vested will vest and become exercisable on the date of the Participant's death or Total and Permanent Disability.

(c) Notwithstanding any provisions of this Section 4 to the contrary, in the event a Change in Control occurs prior to the date of the Participant's Termination of Service, then all of the shares of Common Stock subject to the Option which have not yet vested will vest and become exercisable on the date of such Change in Control.

5. ***Manner of Exercise***.

(a) To the extent that the Option is vested and exercisable in accordance with Section 4 of this Agreement, the Option may be exercised by the Participant at any time, or from time to time, in whole or in part, on or prior to the termination of the Option (as set forth in Sections 4 and 6 of this Agreement) upon payment of the Option Price for the shares to be acquired in accordance with the terms and conditions of this Agreement and the Plan.

(b) If the Participant is entitled to exercise the vested and exercisable portion of the Option, and wishes to do so, in whole or part, the Participant shall (i) deliver to the Company a fully completed notice of exercise, in a form as may hereinafter be designated by the Company in its sole discretion, specifying the exercise date (which shall be at least three (3) days after giving such notice unless an earlier time is mutually agreed upon) and the number of shares of Common Stock to be purchased pursuant to such exercise and (ii) remit to the Company in a form satisfactory to the Company, in its sole discretion, the Option Price for the shares of Common Stock to be acquired on exercise of the Option, plus an amount sufficient to satisfy any withholding tax obligations of the Company that arise in connection with such exercise (as determined by the Company) in accordance with the provisions of Section 7 of this Agreement and Section 15.7 of the Plan.

(c) The Company's obligation to deliver shares of Common Stock to the Participant under this Agreement is subject to and conditioned upon the Participant satisfying all tax obligations associated with the Participant's receipt, holding and exercise of the Option. Unless otherwise approved by the Committee, all such tax obligations shall be payable in accordance with the provisions of Section 7 of this Agreement and Section 15.7 of the Plan. The Company and its Subsidiaries, as applicable, shall be entitled to deduct from any compensation otherwise due to the Participant the amount necessary to satisfy all such taxes.

(d) Upon full payment of the Option Price and satisfaction of all applicable tax obligations, and subject to the applicable terms and conditions of the Plan and the terms and conditions of this Agreement, the Company shall electronically register the shares of Common Stock purchased hereunder in the Participant's name (or the name of the person exercising the Option in the event of the Participant's death) but shall not issue certificates to the Participant

(or the person exercising the Option in the event of the Participant's death) unless the Participant (or such other person) requests delivery of a certificate as described in Section 8.3(b) of the Plan.

6. ***Termination of Option***. Except as otherwise provided in Section 4 of this Agreement, unless the Option terminates earlier as provided in this Section 6, the Option shall terminate and become null and void on the tenth anniversary of the Date of Grant (the "***Option General Expiration Date***"). Except as otherwise provided in Section 4 of this Agreement, if the Participant incurs a Termination of Service for any reason, the Option shall not continue to vest after such Termination of Service.

(a) If the Participant incurs a Termination of Service due to the Participant's death or Total and Permanent Disability, the Option shall remain exercisable for, and shall otherwise terminate and become null and void at the end of, a period of one year from the date of such death or Total and Permanent Disability, but in no event after the Option General Expiration Date.

(b) If the Participant incurs a Termination of Service upon the occurrence of the Participant's Retirement, (i) the portion of the Option that was exercisable on the date of Retirement shall remain exercisable for, and shall otherwise terminate and become null and void at the end of, a period of up to three years after the date of Retirement, but in no event after (x) the Option General Expiration Date or (y) the day before the date the Participant begins engaging in Competition (as that term is defined in Section 22) during such three-year period, unless he or she receives written consent to do so from the Board or the Committee, and (ii) the portion of the Option that was not exercisable on the date of Retirement shall be forfeited and become null and void immediately upon such Retirement.

(c) If the Participant incurs a Termination of Service due to Cause, all of the Option shall be forfeited and become null and void immediately upon such Termination of Service, whether or not then exercisable. For purposes of this Section 6(c) the term "***Cause***" means the occurrence of one of the following events: (i) commission of fraud, embezzlement, theft, felony or an act of dishonesty in the course of his 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.

(d) If the Participant incurs a Termination of Service for any reason other than death, Total and Permanent Disability, Retirement or Cause, (i) the portion of the Option that was exercisable on the date of such Termination of Service shall remain exercisable for, and shall otherwise terminate and become null and void at the end of, a period of up to 90-days after the date of such Termination of Service, but in no event after (x) the Option General Expiration Date or (y) the day before the date the Participant begins engaging in Competition during such 90-day period, unless he or she receives written consent to do so from the Board or the Committee, and (ii) the portion of the Option that was not exercisable on the date of such Termination of Service shall be forfeited and become null and void immediately upon such Termination of Service. In the event the Participant has entered into an employment contract with the Company, the termination provisions of the employment contract will supersede the terms stated in Section 6(d) herein.

(e) Upon the death of the Participant prior to the expiration of the Option, the Participant's executors, administrators or any person or persons to whom the Option may be transferred by will or by the laws of descent and distribution, shall have the right, at any time prior to the termination of the Option, to exercise the Option with respect to the number of shares of Common Stock that the Participant would have been entitled to exercise if he or she were still alive.

(f) Notwithstanding anything to the contrary contained herein, in the event the Participant fails to comply with the confidentiality and non-solicitation provisions of Exhibit A, or the non-solicitation and/or confidentiality provisions contained in any written agreement by and between the Participant and the Company, then all of the Option shall be forfeited and become null and void immediately upon such Termination of Service, whether or not then exercisable, and this Agreement (other than the provisions of this subsection (f) and the provisions of Exhibit A) will be terminated on the date of such violation.

7. ***Tax Withholding***. The Company or, if applicable, any Subsidiary (for purposes of this Section 7, the term "***Company***" shall be deemed to include any applicable Subsidiary), shall be entitled to deduct from other compensation payable to the Participant any sums required by federal, state or local tax law to be withheld with respect the receipt of the Option, this Agreement, the vesting of the Option or the exercise of the Option. Alternatively, the Company may require the Participant (or other person validly exercising the Option) to pay such sums for taxes directly to the Company in cash or by check within one (1) day after the date of vesting or exercise of the Option, as applicable. Such payments shall be required to be made when requested by the Company and may be required to be made prior to the delivery of any certificate representing shares of Common Stock. Such payment may be made by (a) the delivery of cash to the Company in an amount that equals or exceeds (to avoid the issuance of fractional shares under (c) below) the required tax withholding obligations of the Company; (b) if the Company, in its sole discretion, so consents in writing, the actual delivery by the exercising Participant to the Company of shares of Common Stock that the Participant has not acquired from the Company within six (6) months prior to the date of exercise, which shares so delivered have an aggregate Fair Market Value that equals or exceeds (to avoid the issuance of fractional shares under (c) below) the required tax withholding payment; (c) if the Company, in its sole discretion, so consents in writing, the Company's withholding of a number of shares to be delivered upon the exercise of the Option, which shares so withheld have an aggregate Fair Market Value that equals (but does not exceed) the required tax withholding payment; or (d) any combination of (a), (b), or (c).

8. ***Capital Adjustments and Reorganizations***. The existence of the Option 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.

9. ***Employment Relationship***. For purposes of this Agreement, the Participant shall be considered to be in the employment of the Company as long as the Participant has an employment relationship with the Company. The Committee shall determine any questions as to whether and when there has been a Termination of Service, and the cause of such Termination of Service, under the Plan, and the Committee's determination shall be final and binding on all persons.

10. ***No Fractional Shares***. All provisions of this Agreement concern whole shares of Common Stock. If the application of any provision hereunder would yield a fractional share, such fractional share shall be rounded down to the next whole share if it is less than 0.5 and rounded up to the next whole share if it is 0.5 or more.

11. ***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 Option.

12. ***Not an Employment Agreement***. This Agreement is not an employment agreement, and no provision of this Agreement shall be construed or interpreted to create an employment relationship between the Participant and the Company, its Subsidiaries or any of its Affiliates or guarantee the right to remain employed by the Company, its Subsidiaries or any of its Affiliates for any specified term.

13. ***No Rights As Stockholder***. The Participant shall not have any rights as a stockholder with respect to any shares of Common Stock covered by the Option until the date of the registration or issuance of such shares following the Participant's exercise of the Option pursuant to its terms and conditions and payment of all amounts for and with respect to the shares of Common Stock. No adjustment shall be made for dividends or other rights for which the record date is prior to the date a certificate or certificates are issued for such shares or an uncertificated book-entry representing such shares is made.

14. ***Legend***. The Participant consents to the placing on the certificate for any shares covered by the Option of an appropriate legend restricting resale or other transfer of such shares except in accordance with the Securities Act of 1933 and all applicable rules thereunder.

15. ***Notices***. Any notice, instruction, authorization, request, demand or other communications 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 to the attention of the Vice President, Tax and to the Participant at the Participant's residential address as it appears on the books and 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.

16. ***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 condition, or the breach of any other term of condition.

17. ***Dispute Resolution***. In the event of any difference of opinion concerning the meaning or effect of the Plan or this Agreement, such difference shall be resolved by the Committee.

18. ***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.

19. ***Transfer Restrictions***. The shares of Common Stock subject to the Option granted hereby may not be sold or otherwise disposed of in any manner that would constitute a violation of any applicable federal or state securities laws. The Participant also agrees (a) that the Company may refuse to cause the transfer of shares of Common Stock subject to the Option to be registered on the applicable stock transfer records if such proposed transfer would, in the opinion of counsel satisfactory to the Company, constitute a violation of any applicable securities law and (b) that the Company may give related instructions to the transfer agent, if any, to stop registration of the transfer of the shares of Common Stock subject to the Option.

20. ***Successors and Assigns***. This Agreement shall, except as herein stated to the contrary, inure to the benefit of and bind the legal representatives, successors and assigns of the parties hereto.

21. ***Option Transfer Prohibitions***. Except as otherwise authorized by the Committee, the Option granted to the Participant under this Agreement shall not be transferable or assignable by the Participant other than by will or the laws of descent and distribution, and shall be exercisable during the Participant's lifetime only by the Participant.

22. ***Definition***. Unless the context reasonably requires a broader, narrower or different meaning, "***Competition***" means the Participant engaging in, or otherwise directly or indirectly being employed by or acting as a consultant or lender to, or being a director, officer, employee, principal, agent, stockholder, member, owner or partner of, or permitting the Participant's name to be used in connection with the activities of any other business or organization which competes, directly or indirectly, with the business of the Company as the same shall be constituted at any time during the period the Participant was employed by or affiliated with the Company.

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

24. ***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

1. ***Confidential 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) 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 associated 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 association with the Company. For purposes of this paragraph, the "persons" covered by this prohibition include current employees and persons who were employed by the Company within twelve (12) months of the time of the attempted recruiting, solicitation, or hiring.

(b) 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.

Exhibit 10.7

RESTRICTED STOCK AWARD AGREEMENT

Tuesday Morning Corporation
2014 Long-Term Incentive Plan

This **RESTRICTED STOCK AWARD AGREEMENT** (this "***Agreement***") is entered into between Tuesday Morning Corporation, a Delaware corporation (the "***Company***"), and _____ (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.

WHEREAS, the Company desires to grant to the Participant the shares of common stock, par value $0.01 per share ("***Common Stock***"), 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 hold the Common Stock 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.*** Effective as of the Date of Grant, the Company shall cause to be issued in the Participant's name _____ shares of Common Stock (the "***Restricted Stock***"). The Company shall electronically register the Restricted Stock, and any Retained Distributions issued with respect to the Restricted Stock, in the Participant's name and note that such shares are Restricted Stock. If certificates evidencing the Restricted Stock, or any Retained Distributions, are issued to the Participant during the Restricted Period, such certificates shall bear a restrictive legend, substantially as provided in Section 15.10 of the Plan, to the effect that ownership of such Restricted Stock (and any such Retained Distributions), and the enjoyment of all rights appurtenant thereto, are subject to the restrictions, terms, and conditions provided in the Plan and this Agreement. The Participant shall have the right to vote the Restricted Stock awarded to the Participant and to receive and retain all regular cash dividends, and to exercise all other rights, powers and privileges of a holder of Common Stock, with respect to such Restricted Stock, with the exception that (a) the Participant shall not be entitled to delivery of a stock certificate or certificates representing such Restricted Stock until the Forfeiture Restrictions applicable thereto shall have expired and the Participant requests delivery of a certificate as described in Section 6.4(a) of the Plan, (b) the Company shall retain custody of all Retained Distributions made or declared with respect to the Restricted Stock (and such Retained Distributions shall be subject to the same restrictions, terms and conditions as are applicable to the Restricted Stock) until such time, if ever, as the Restricted Stock with respect to which such Retained Distributions shall have been made, paid, or declared shall have become vested, and such Retained

Distributions shall not bear interest or be segregated in separate accounts and (c) the Participant may not sell, assign, transfer, pledge, exchange, encumber, or dispose of the Restricted Stock or any Retained Distributions during the Restricted Period. Upon issuance, the certificates for the Restricted Stock shall be delivered to the Secretary of the Company or to such other depository as may be designated by the Committee as a depository for safekeeping until the forfeiture of such Restricted Stock occurs or the Forfeiture Restrictions lapse, together with stock powers or other written instruments or electronic agreements of assignment, each endorsed in blank, which will permit transfer to the Company of all or any portion of the Restricted Stock and any securities constituting Retained Distributions which shall be forfeited in accordance with the Plan and this Agreement. In accepting the award of Restricted Stock 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) "***Forfeiture Restrictions***" shall mean any prohibitions and restrictions set forth herein with respect to the sale or other disposition of Restricted Stock issued to the Participant hereunder and the obligation to forfeit and surrender such Restricted Stock to the Company.

(b) "***Restricted Period***" shall mean the period designated by the Committee during which Restricted Stock is subject to the Forfeiture Restrictions and may not be sold, assigned, transferred, pledged, or otherwise encumbered.

(c) "***Retained Distributions***" shall mean any securities or other property (other than regular cash dividends) distributed by the Company in respect of the Restricted Stock during any Restricted Period.

Capitalized terms not otherwise defined in this Agreement shall have the meanings given to such terms in the Plan.

3. ***Transfer Restrictions.*** Except as otherwise authorized by the Committee, the Restricted Stock granted hereby may not be sold, assigned, pledged, exchanged, hypothecated or otherwise transferred, encumbered or disposed of (other than by will or the applicable laws of descent and distribution) to the extent then subject to the Forfeiture Restrictions. Any such attempted sale, assignment, pledge, exchange, hypothecation, transfer, encumbrance or disposition in violation of this Agreement shall be void and the Company shall not be bound thereby. Further, the Restricted Stock granted hereby that is no longer subject to Forfeiture Restrictions may not be sold or otherwise disposed of in any manner that would constitute a violation of any applicable federal or state securities laws. The Participant also agrees (a) that the Company may refuse to cause the transfer of the Restricted Stock to be registered on the applicable stock transfer records if such proposed transfer would, in the opinion of counsel satisfactory to the Company, constitute a violation of any applicable securities law and (b) that the Company may give related instructions to the transfer agent, if any, to stop registration of the transfer of the Restricted Stock. The Restricted Stock is registered with the Securities and Exchange Commission under a Registration Statement on Form S-8. A Prospectus describing the Plan and the Stock is available from the Company.

4. ***Vesting.*** The Restricted Stock that is granted hereby shall be subject to Forfeiture Restrictions. The Forfeiture Restrictions shall lapse as to the Restricted Stock that is granted hereby in accordance with the provisions of subsections (a) through (d) of this Section 4.

(a) *Generally*. The Forfeiture Restrictions shall lapse as to the Restricted Stock that is granted hereby as provided in subsection (b), provided that the Participant has not incurred a Termination of Service prior to the applicable date provided in subsection (b). If the Participant has incurred a Termination of Service before a date provided in subsection (b) then, except as otherwise specified in subsections (c) or (d) below, the Forfeiture Restrictions then applicable to any of the Restricted Stock shall not lapse and all of the Restricted Stock with respect to which Forfeiture Restrictions have not then lapsed shall be forfeited to the Company upon such Termination of Service.

(b) *Vesting Date.* The Forfeiture Restrictions shall lapse, and the Restricted Stock will vest (subject to the provisions of subsection (a)) in accordance with the following schedule:

(i) on _____, the Forfeiture Restrictions shall lapse, and the Restricted Stock will vest, with respect to one-quarter (25%) of the Restricted Stock;

(ii) on _____, the Forfeiture Restrictions shall lapse, and the Restricted Stock will vest, with respect to an additional one-quarter (25%) of the Restricted Stock;

(iii) on _____, the Forfeiture Restrictions shall lapse, and the Restricted Stock will vest, with respect to an additional one-quarter (25%) of the Restricted Stock; and

(iv) on _____, the Forfeiture Restrictions shall lapse, and the Restricted Stock will vest, with respect to the remaining one-quarter (25%) of the Restricted Stock, so that on _____, the Restricted Stock will vest in full.

(c) *Death or Total and Permanent Disability*. Notwithstanding any provisions of Section 4 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 date provided in subsection (b), the Forfeiture Restrictions for all of the Restricted Stock with respect to which Forfeiture Restrictions have not then lapsed shall lapse on the date of such Termination of Service due to death or Total and Permanent Disability.

(d) *Change in Control*. Notwithstanding any provisions of Section 4 to the contrary, in the event a Change in Control occurs prior to the date of the Participant's Termination of Service, the Forfeiture Restrictions for all of the Restricted Stock with respect to which Forfeiture Restrictions have not then lapsed shall lapse upon the occurrence of such Change in Control.

(e) *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 A, or the non-solicitation and/or confidentiality provisions contained in any written agreement by and between the Participant and the Company, then (i) the Forfeiture Restrictions shall not lapse, and any unvested Restricted Stock shall be immediately forfeited to the Company as of the date of such violation, and (ii) any Restricted Stock for which the Forfeiture Restrictions have lapsed, but that had not yet been delivered to the Participant shall be immediately forfeited and this Agreement (other than the provisions of this subsection (e) and the provisions of Exhibit A) will be terminated on the date of such violation.

5. ***Effect of Lapse of Restrictions.*** Upon the lapse of the Forfeiture Restrictions with respect to the Restricted Stock granted hereby, if requested by the Participant as described in Section 6.4(a) of the Plan, the Company shall cause to be delivered to the Participant a stock certificate representing such Restricted Stock, and such Restricted Stock shall be transferable by the Participant (except to the extent that any proposed transfer would, in the opinion of counsel satisfactory to the Company, constitute a violation of applicable securities law).

6. ***Capital Adjustments and Reorganizations.*** The existence of the Restricted Stock 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.

7. ***Section 83(b) Election.*** The Participant shall not exercise the election permitted under section 83(b) of the Code with respect to the Restricted Stock without the written approval of the Chief Financial Officer of the Company.

8. ***No Fractional Shares***. All provisions of this Agreement concern whole shares of Common Stock. If the application of any provision hereunder would yield a fractional share, such fractional share shall be rounded down to the next whole share if it is less than 0.5 and rounded up to the next whole share if it is 0.5 or more.

9. ***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.

10. ***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 Restricted Stock.

11. ***Legend***. The Participant consents to the placing on the certificate for the Restricted Stock of an appropriate legend restricting resale or other transfer of the Restricted Stock except in accordance with the Securities Act of 1933 and all applicable rules thereunder.

12. ***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.

13. ***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.

14. ***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.

15. ***Successors and Assigns.*** Subject to the limitations which this Agreement imposes upon the transferability of the Restricted Stock 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.

16. ***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.

17. ***Tax Withholding.*** The Company or, if applicable, any Subsidiary (for purposes of this Section 17, the term "***Company***" shall be deemed to include any applicable Subsidiary), shall be entitled to deduct from other compensation payable to the Participant any sums required by federal, state or local tax law to be withheld with respect to the vesting of, or lapse of restrictions on, this Award. Alternatively, the Company may require the Participant (or other person validly exercising the Award) to pay such sums for taxes directly to the Company in cash or by check within one (1) day after the date of vesting or lapse of restrictions. Such payments shall be required to be made when requested by the Company and may be required to be made prior to the removal of any restrictions on such shares or the delivery of any certificate representing shares of Common Stock, if such certificate is requested by the Participant in accordance with Section 6.4(a) of the Plan. Such payment may be made by (a) the delivery of cash to the Company in an amount that equals or exceeds (to avoid the issuance of fractional shares under (c) below) the required tax withholding obligations of the Company; (b) if the Company, in its sole discretion, so consents in writing, the actual delivery by the Participant to the Company of shares of Common Stock that the Participant has not acquired from the Company within six (6) months prior thereto, which shares so delivered have an aggregate Fair Market Value that equals or exceeds (to avoid the issuance of fractional shares under (c) below) the required tax withholding payment; (c) if the Company, in its sole discretion, so consents in writing, the Company's withholding of a number of shares to be delivered upon the vesting of the Restricted Stock, which shares so withheld have an aggregate Fair Market Value that equals (but does not exceed) the required tax withholding payment; or (d) any combination of (a), (b), or (c).

18. ***Acceptance.*** The Participant, by his or her acceptance of the Restricted Stock, agrees to be bound by all of the terms and conditions of this Agreement, including, without limitation, the provisions of Exhibit A, and the Plan, and further consents to and agrees to be bound by the Irrevocable Stock Power presented herewith.

19. ***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

1. ***Confidential 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) 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 associated 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 association with the Company. For purposes of this paragraph, the "persons" covered by this prohibition include current employees and persons who were employed by the Company within twelve (12) months of the time of the attempted recruiting, solicitation, or hiring.

(b) 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.

IRREVOCABLE STOCK POWER

KNOW ALL MEN BY THESE PRESENTS, That For Value Received, the Participant (as defined in the Award Agreement) has bargained, sold, assigned and transferred and by these presents does bargain, sell, assign and transfer unto Tuesday Morning Corporation, a Delaware corporation (the "***Company***"), the Restricted Stock transferred pursuant to the **RESTRICTED STOCK AWARD AGREEMENT** dated as of and effective _____, 201__, between the Company and the Participant granting such Restricted Stock to the Participant (the "***Award Agreement***"); ***and*** subject to and in accordance with the terms of the Award Agreement the Participant does hereby constitute and appoint the Secretary of the Company the Participant's true and lawful attorney, IRREVOCABLY, to sell, assign, transfer, hypothecate, pledge and make over all or any part of such Restricted Stock and for that purpose to make and execute all necessary acts of assignment and transfer thereof, and to substitute one or more persons with like full power, hereby ratifying and confirming all that said attorney or his or her substitutes shall lawfully do by virtue hereof.

EXHIBIT 31.1

CERTIFICATION

I, Steven R. Becker, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: October 29, 2015

By: /s/ Steven R. Becker
Steven R. Becker
Executive Chairman
(Interim Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION

I, Kelly J. Munsch, 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: October 29, 2015

By: /s/ Kelly J. Munsch
Kelly J. Munsch
Vice President, Controller
(Interim Principal Financial Officer and
Interim Chief Accounting 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 Executive Chairman (Interim Principal 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, 2015 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: October 29, 2015

By: /s/ Steven R. Becker
Steven R. Becker
Executive Chairman
(Interim Principal Executive Officer)

EXHIBIT 32.2

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

I, Kelly J. Munsch, the Vice President, Controller, (Interim Principal Financial Officer and Interim Chief Accounting 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, 2015 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: October 29, 2015

By: /s/ Kelly J. Munsch
Kelly J. Munsch
Vice President, Controller
(Interim Principal Financial Officer and
Interim Chief Accounting Officer)