FORM 10Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

Quarterly Report Under Section 13 or 15(d) of the Securities
Exchange Act of 1934

For Quarter Ended March 31, 1997 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 No.)

14621 INWOOD RD., DALLAS, TEXAS	75244
(Address of principal executive offices)	(Zip Code)

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

NONE
(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 X No ---

Common stock outstanding as of April 30, 1997: 7,936,336 shares

TUESDAY MORNING CORPORATION

PART 1 - FINANCIAL INFORMATION

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Tuesday Morning Corporation and Subsidiaries
Consolidated Balance Sheets
Unaudited

	Mar. 31, 1997	Mar. 31, 1996	Dec. 31, 1996
		(in thousands)	
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 3,151	$ 1,565	$ 10,754
Income tax receivable	--	776	--
Inventories	111,069	81,091	75,493
Prepaid expenses	1,200	960	1,048
Other current assets	245	415	726
Total current assets	115,665	84,807	88,021
Property, plant and equipment, at cost:			
Land	8,356	8,356	8,356
Buildings	13,728	13,180	13,926
Furniture and fixtures	18,152	15,991	17,658
Equipment	15,583	13,704	14,469
Leasehold improvements	2,136	1,987	2,082
	57,955	53,218	56,491
Less accumulated depreciation and amortization	(27,317)	(22,404)	(26,104)
Net property, plant and equipment	30,638	30,814	30,387
Due from Officer	2,737	2,338	2,679
Other assets	578	822	670
Total Assets	$ 149,618	$ 118,781	$ 121,757
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Current installments of mortgages	$ 1,021	$ 1,021	$ 1,021
Current installments of capital lease obligation	474	779	625
Accounts payable	33,721	25,998	22,543
Accrued expenses:			
Sales tax	804	583	2,105
Other	4,566	2,956	5,637
Deferred income taxes	57	231	57
Income taxes payable	615	--	6,465
Total current liabilities	41,258	31,568	38,453
Mortgages on land, buildings and equipment, excl. current installments	4,339	5,360	4,594
Notes payable	24,369	15,061	--
Capital lease obligation, excl. current installments	330	804	382
Deferred income taxes	2,800	2,994	2,800
Shareholders' equity			
Preferred stock of $1 par value per share Authorized 2,000,000 shares, none issued	--	--	--
Common stock of $.01 par value per share Authorized 20,000,000 shares, issued 8,210,836 shares at March 31, 1997 8,143,586 shares at March 31, 1996 and 8,181,036 shares at December 31, 1996	82	81	82
Additional paid-in capital	18,893	18,299	18,640
Retained earnings	59,575	46,642	58,834
Less: treasury stock, 274,500 shares at March 31, 1997 and 1996 and at December 31, 1996	(2,028)	(2,028)	(2,028)
Total shareholders' equity	76,522	62,994	75,528
Total Liabilities and Shareholders' Equity	$ 149,618	$ 118,781	$ 121,757

See accompanying notes to consolidated financial statements

Tuesday Morning Corporation and Subsidiaries
Consolidated Statements of Operations
Unaudited

	Three Months Ended	
	March 31,	March 31,

	1997	1996
	(in thousands, except per share data)	
Net sales	$ 47,514	$ 35,740
Cost of sales	29,621	22,343
Gross Profit	17,893	13,397
Selling, general and administrative expenses	16,451	14,185
Operating Income (loss)	1,442	(788)
Other income (expense):		
Interest Income	74	60
Interest expense	(469)	(477)
Other income	134	149
	(261)	(268)
Income (loss) before income taxes	1,181	(1,056)
Income tax expense (benefit)	437	(380)
Net income (loss)	$ 744	$ (676)
Net income (loss) per share	$ 0.09	$ (0.09)
Weighted average common shares outstanding	8,389	7,851

See accompanying notes to consolidated statements.

Tuesday Morning Corporation and Subsidiaries
Consolidated Statements of Cash Flows
Unaudited

	Three Months Ended March 31,	
	1997	1996
Cash flows from operating activities:	(in thousands)	
Cash received from customers	$ 47,514	$ 35,740
Cash paid to suppliers and employees	(71,067)	(51,101)
Interest received	75	60
Interest paid	(469)	(477)
Income taxes paid	(6,288)	(2,533)
Net cash used by operating activities	(30,235)	(18,311)

Cash flows from investing activities:		
Loans to officers	(58)	(127)
Capital expenditures	(1,473)	(922)
Net cash used by investing activities	(1,531)	(1,049)
Cash flows from financing activities:		
Proceeds from short and long term borrowings	24,369	15,061
Payment of mortgages	(255)	(255)
Principal payments under capital lease obligation	(204)	(179)
Proceeds from exercise of common stock options/stock purchase plan	253	22
Net cash provided by financing activities	24,163	14,649
Net decrease in cash and cash equivalents	(7,603)	(4,711)
Cash and cash equivalents at beginning of period	10,754	6,276
Cash and cash equivalents at end of period	$ 3,151	$ 1,565
Reconciliation of net income (loss) to net cash used by operating activities:		
Net income (loss)	$ 744	$ (676)
Adjustments to reconcile net income (loss) to net cash used by operating activities:		
Depreciation and amortization	1,223	1,171
Change in operating assets and liabilities:		
Increase in income taxes receivable	-	(776)
Increase in inventories	(35,576)	(28,724)
Increase (decrease) in prepaid expense	(152)	33
Decrease in other current assets	481	43
Decrease in other assets and liabilities	92	53
Increase in accounts payable	11,178	13,291
Decrease in accrued expenses	(2,375)	(590)
Decrease in income taxes payable	(5,850)	(2,136)
Total adjustments	(30,979)	(17,635)
Net cash used by operating activities	$(30,235)	$(18,311)

See accompanying notes to consolidated financial statements

Tuesday Morning Corporation and Subsidiaries
Notes to Consolidated Financial Statements
(Unaudited)

1. These unaudited financial statements include all adjustments, which, in the opinion of management, are necessary to present fairly the results of the Company for the interim periods presented and should be read in conjunction with the consolidated financial statements and notes thereto in the Company's 1996 Annual Report.

2. Income (loss) per share amounts are based on the weighted average number of shares outstanding during the period.

3. The Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

4. Notes payable under the terms of the Company's revolving line of credit agreement are classified between current and long term debt in accordance with the terms of the agreement. This agreement is discussed in more detail in Liquidity and Capital Resources on the next page.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

LIQUIDITY AND CAPITAL RESOURCES:

The Company's principal liquidity need is for inventory purchases. The Company's two principal sources of liquidity have been its operating cash flow and borrowings under bank lines of credit. On March 31, 1997, the Company had $24.4 million of long term borrowings from banks. On the same date, the outstanding letters of credit totaled approximately $4.9 million. Based on the line of credit agreement, the Company had the ability to utilize $45.0 million in borrowings and letters of credit at March 31, 1997.

The Company entered into a three year $45 million revolving line of credit agreement with a new bank on July 15, 1994. This agreement is secured by a pledge of the Company's assets. Borrowings available under the agreement were limited to the lesser of $45 million or 50% (60% for up to 120 days during each year) of eligible inventory, as defined. The availability is further reduced by the aggregate undrawn amount of outstanding letters of credit and a reserve for foreign currency contracts. During 1996, this agreement was amended to extend the term through July 1999 and to increase the borrowing capacity to $55,000,000 for the period beginning July 1 and ending October 31 of each year. The maximum amount of outstanding and unused letters of Credit was also increased to $12,000,000.

The agreement requires the Company and its subsidiaries to comply with various financial and other covenants, including the maintenance of certain operating and financial ratios, and they contain substantial limitations on dividends, indebtedness, liens, capital expenditures, asset sales and certain other items. At March 31, 1997, the Company was in compliance with these covenants.

As of April 30, 1997, the Company and the bank reached an agreement to increase the line of credit by an additional $10 million. This amendment, when executed, will give the Company a base of $55 million with the ability to increase the borrowing capacity to $65 million for the period beginning July 1 and ending October 31 of each year. Management believes that the agreement as modified will be adequate to meet its needs for liquidity and growth.

In September 1995, the Company entered into a $7.1 million floating rate mortgage collateralized by a first lien deed of trust on all of the Company's owned real estate. This mortgage refinanced and consolidated mortgages which existed prior to 1995. In connection with this mortgage, the Company is required to maintain a minimum net worth and to comply with other financial covenants. At March 31, 1997, the Company was in compliance with these covenants.

The Company's principal capital requirement has been the funding of the development of new stores and the resulting increase in inventory requirements. The Company plans to open 25-30 stores during 1997 and plans to fund these from operating cash flow.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

INVENTORY:

The Company's inventory increased from $75.5 million at year end to $111.1 million at March 31, 1997. This is an increase of $35.5 million from December 31, 1996. The increase from March 31, 1996, is $30.7 million. The increase in the Company's inventory is attributable to several factors, including normal seasonal activity and continued increases in store count. Also, the Company is building higher inventory levels to support its strong sales growth. At the same time, shipments of merchandise for the fall event are being received earlier to insure timely shipments to the stores.

INVENTORY LEVELS BY LOCATION
(IN MILLIONS)

	3/31/97	3/31/96	12/31/96
Stores	$ 45.9	$ 33.4	$ 43.1
Warehouse	65.2	47.7	32.4
	$ 111.1	$ 81.1	$ 75.5

STORE OPENINGS/CLOSINGS

	3/31/97	3/31/96	12/31/96
Stores Open Beginning of Period	286	260	260
Stores Opened	7	8	33
Stores Closed	(2)	(5)	(7)
Stores Open at End of Period	291	263	286

TUESDAY MORNING CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 1997 COMPARED TO THE THREE MONTHS ENDED MARCH 31, 1996:

The Company reported a net profit in the first quarter of 1997 which is the first time a profit was achieved in that part of the year since the Company went public in 1986. Traditionally, the Company loses money early in the year due to lower sales levels while expenses are relatively flat throughout the year.

Comparable store sales increased 23% during the quarter allowing the Company to obtain significant leverage on its SG&A costs which are primarily store related and are relatively fixed on a per store basis. In total, sales increased 27.9%, to $47.5 million from $35.7 million in 1996. This significant sales increase was the result of better product selection, pricing and higher inventory levels.

Gross profit increased 0.2% from 37.5% to 37.7% due primarily to leveraging of distribution costs which are relatively fixed..

Selling, general and administrative expenses increased from $14.2 million to $16.5 million but, due to the strong sales performance, decreased 5.1% of sales from 39.7% to 34.6%.

Interest expense was consistent between the two periods.

TUESDAY MORNING CORPORATION

PART II - OTHER INFORMATION

Not Applicable

SIGNATURES

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

TUESDAY MORNING CORPORATION
(Registrant)

DATE: May 7, 1997 /s/Mark E. Jarvis

Mark E. Jarvis, Senior Vice President

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