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 June 30, 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 June 30, 1997: 11,945,716 shares

TUESDAY MORNING CORPORATION

PART 1 - FINANCIAL INFORMATION

Tuesday Morning Corporation and Subsidiaries
Consolidated Balance Sheets

(Unaudited)

ASSETS	June 30, 1997	June 30, 1996	Dec. 31, 1996
	(In Thousands)		
Current assets:			
Cash and cash equivalents	1,315	1,748	10,754
Income tax receivable	-	469	-
Inventories	128,270	91,622	75,493
Prepaid expenses	1,109	1,274	1,048
Other current assets	302	444	726
Total current assets	130,996	95,557	88,021
Property, plant and equipment, at cost:			
Land	8,356	8,356	8,356
Buildings	13,730	13,285	13,926
Furniture and fixtures	18,757	16,379	17,658
Equipment	16,315	13,994	14,469
Leasehold improvements	2,181	2,032	2,082
	59,339	54,046	56,491
Less accumulated depreciation & amortization	(28,433)	(23,616)	(26,104)
Net property, plant and equipment	30,906	30,430	30,387
Other assets, at cost:			
Due from Officer	2,801	2,441	2,679
Other assets	549	762	670
Total Assets	165,252	129,190	121,757

LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Current installments of mortgages	1,021	1,021	1,021
Current installments of capital lease obligation	318	795	625
Accounts payable	39,282	26,753	22,543
Accrued expenses			
Sales tax	596	454	2,105
Other	3,659	3,127	5,637
Deferred income taxes	57	231	57
Income taxes payable	821	-	6,465
Total current liabilities	45,754	32,381	38,453
Mortgages on land, buildings and equipment	4,084	5,104	4,594
Long term notes payable	34,055	24,695	-
Long term capital lease obligation	276	594	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 12,357,466 shares at June 30, 1997 12,215,379 shares at June 30, 1996 12,271,629 shares at December 31, 1996	124	122	123
Additional paid-in capital	18,896	18,254	18,599
Retained earnings	61,291	47,074	58,834
Less: treasury stock 411,750 shares at June 30, 1997, June 30, 1996 and at December 31, 1996	(2,028)	(2,028)	(2,028)
Total shareholders' equity	78,283	63,422	75,528
Total Liabilities and Shareholders' Equity	165,252	129,190	121,757

See accompanying notes to consolidated financial statements.

Tuesday Morning Corporation and Subsidiaries
Consolidated Statements of Operations
(Unaudited)

	Three Months Ended June 30, 1997	Three Months Ended June 30, 1996	Six Months Ended June 30, 1997	Six Months Ended June 30, 1996
	(In thousands, except per share data)		(In thousands, except per share data)	
Net sales	67,377	54,286	114,891	90,026
Cost of sales	44,369	36,068	73,989	58,411
Gross profit	23,008	18,218	40,902	31,615
Selling, general and administrative expenses	19,848	17,094	36,299	31,279
Operating income	3,160	1,124	4,603	336
Other income (expense):				
Interest income	78	76	153	135
Interest expense	(728)	(677)	(1,197)	(1,154)
Other income	212	149	346	299
	(438)	(452)	(698)	(720)
Income (loss) before income taxes	2,722	672	3,905	(384)
Income tax expense (benefit)	1,007	238	1,445	(142)
Net income (loss)	1,715	434	2,460	(242)
Net income (loss) per share	0.13	0.03	0.19	(0.02)
Weighted average common shares outstanding	12,641	12,479	12,706	11,778

See accompanying notes to consolidated financial statements.

Tuesday Morning Corporation and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30, 1997	Six Months Ended June 30, 1996
	(In Thousands)	
Cash flows from operating activities:		
Cash received from customers	114,891	90,026
Cash paid to suppliers and employees	(146,527)	(112,919)
Interest received	153	135
Interest paid	(1,197)	(1,154)
Income taxes paid	(7,089)	(2,463)
Net cash used by operating activities	(39,769)	(26,375)
Cash flows from investing activities:		
Loans to officers	(122)	(230)
Capital expenditures	(2,977)	(1,750)
Net cash used by investing activities	(3,099)	(1,980)
Cash flows from financing activities:		
Proceeds from short and long term borrowings	34,055	24,695
Payment of short-term borrowings	-	-
Payment of mortgages	(510)	(510)
Principal payments under capital lease obligation	(414)	(375)
Proceeds from exercise of common stock options/stock purchase plan	298	17
Net cash provided by financing activities	33,429	23,827
Net decrease in cash and cash equivalents	(9,439)	(4,528)
Cash and cash equivalents at beginning of period	10,754	6,276
Cash and cash equivalents at end of period	1,315	1,748

Reconciliation of net income (loss) to net cash used by operating activities:

Net income (loss)	2,460	(242)
Adjustments to reconcile net income (loss) to net cash used by operating activities:		
Depreciation and amortization	2,458	2,382
Change in operating assets and liabilities:		
Increase in income taxes receivable	-	(469)
Increase in inventories	(52,777)	(39,255)
Increase in prepaid expense	(61)	(281)
Decrease in other current assets	424	14
Decrease in other assets and liabilities	121	114
Increase in accounts payable	16,738	14,046
Decrease in accrued expenses	(3,488)	(548)
Decrease in income taxes payable	(5,644)	(2,136)
Total adjustments	(42,229)	(26,133)
Net cash used by operating activities	(39,769)	(26,375)

See accompanying notes to consolidated financial statements.

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

1. The consolidated interim financial statements included herein have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosure normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. These unaudited 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 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. Net income/(Loss) per share amounts are based on the weighted average number of shares and dilutive share equivalents outstanding during the period. See note 5 below.

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 in accordance with the terms of the agreement. This agreement is discussed in more detail in Liquidity and Capital Resources on the next page.

5. On May 13, 1997 the Board of Directors approved a three-for-two stock split of the Company's common stock. All financial statements reflect this transaction, which was completed in June, 1997.

TUESDAY MORNING CORPORATION
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. The Company entered into a three year $45 million revolving line of credit agreement 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 was reduced by the aggregate undrawn amount of outstanding letters of credit. This agreement was amended on June 25, 1996 to increase the amount to $55 million from July 1 to October 31 of each year, extend the maturity date to July, 1999 and lower the interest rate by 1/2%. On April 30, 1997 the agreement was amended further to increase the amount to $65 million for July 1 to October 31 and $55 million the rest of the year. Based on the line of credit agreement, the Company had the ability to utilize $55 million in borrowings and letters of credit at June 30, 1997. On June 30, 1997, the Company had $34.1 million of long term borrowings from banks. On the same date, the outstanding letters of credit totaled approximately $9.3 million. 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, asset sales and certain other items. At June 30, 1997, the Company was in compliance with these covenants. Management believes that the agreement 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 June 30, 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 approximately 30 stores during 1997 and plans to fund these from operating cash flow.

INVENTORY:

The Company's inventory increased from $75.5 million at year end to $128.3 million at June 30, 1997. This is an increase of $52.8 million from December 31, 1996. As reflected on the following chart, most of the increase is in the warehouse. The Company anticipates that the recent sales trends will continue and has purchased inventory for the Fall accordingly.

Total inventory increased $36.7 million from June 30, 1996 - again, primarily in the warehouse. The increase is attributable to the store count increase and the expected sales levels for the Fall.

INVENTORY LEVELS BY LOCATION
(IN MILLIONS)

	6/30/97	6/30/96	12/31/96
Stores	$ 47.6	$ 33.4	$ 43.1
Average per store	(0.160)	(0.123)	(0.151)

Warehouse	80.7	58.2	32.4
Total Inventory	$ 128.3	$ 91.6	$ 75.5

STORE OPENINGS/CLOSINGS

	Six Months Ending 6/30/97	Six Months Ending 6/30/96	FYE 12/31/96
Stores Open at Beginning of Period	286	260	260
Stores Opened	14	16	33
Stores Closed	<2>	<5>	<7>
Stores Open at End of Period	298	271	286

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

SIX MONTHS ENDED JUNE 30, 1997 COMPARED TO THE SIX MONTHS ENDED JUNE 30, 1996

The Company's income of $2.5 million or $0.19 per share for the first half of 1997 compares to a loss of $0.2 million or $0.02 per share for the first half of 1996. The Company reported this significant improvement for the first half due to the financial leverage obtained from increased sales and gross margin improvements while expenses, up slightly on a per store basis, decreased as a percent of sales.

During the first half of 1997, comparable store sales increased 19%. Total gross profit increased from $31.6 million to $40.9 million due primarily to increased sales volume. The gross profit percent increased from 35.1% to 35.6% as a result of improved efficiencies in the buying and distribution processes which were driven by the increase in inventory levels. Selling, general and administrative expenses increased 6% when comparing average stores but decreased from 34.7% to 31.6% of sales as a result of the strong sales activity. Interest expense remained unchanged at $1.2 million.

THREE MONTHS ENDED JUNE 30, 1997 COMPARED TO THREE MONTHS ENDED JUNE 30, 1996

As during the six months, the financial results of the Company during the quarter were driven by the financial leverage discussed above.

For the quarter ended June 30, 1997, the Company made $1.7 million or $0.13 per share versus an income of $0.4 million or $0.03 per share for the same period during 1996. During the quarter, comparable store sales increased 16%. Total gross profit increased from $18.2 million to $23.0 million due primarily to increased sales volume. The gross profit percentage increased from 33.6% to 34.2%, due to the leveraging of buying and distribution costs which did not increase in proportion to the increases in the volume of merchandise produced. Selling, general and administrative expenses increased from $17.1 to $19.8 and interest expense was essentially unchanged at $0.7 million.

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: August 8, 1997

/s/ Mark E. Jarvis

Mark E. Jarvis, Senior Vice President

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