TUESDAY MORNING CORP/DE
Form DEF 14A
October 19, 2018

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material under §240.14a-12

Tuesday Morning Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

ý No fee required.

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(1) Title of each class of securities to which transaction applies:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

October 19, 2018

Dear Fellow Stockholder:

We are pleased to invite you to attend our 2018 Annual Meeting on November 29, 2018, at 8:30 a.m. (central time) to be held at the Tuesday Morning Corporate Office, 6250 Lyndon B. Johnson Freeway, Dallas, Texas 75240.

We are excited about the momentum at Tuesday Morning. In fiscal year 2018, we crossed the $1.0 billion annual sales threshold for the first time in our 45 year history. We have made significant progress this past year. We continue to enhance our merchandise assortment and see improvements in inventory turn. We are pleased with our digital initiatives and brand campaign to drive new business and we continue to refine efficiencies in our supply chain. Your Board plays a key role in overseeing our progress and supporting our strategic initiatives.

Attached is our Notice of Annual Meeting. We have chosen to furnish our proxy statement and annual report to our stockholders over the internet, electronically by email for stockholders who have previously consented to electronic delivery or who have requested to receive the proxy materials by email or, upon request, in printed form by mail. Our proxy statement will instruct you how to vote your shares. Your vote is important. Thank you for your investment in Tuesday Morning.

Sincerely,

Terry Burman	Steven Becker
Chairman of the Board	*Chief Executive Officer and President*

TUESDAY MORNING CORPORATION

6250 LBJ Freeway
Dallas, Texas 75240

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held November 29, 2018

The 2018 Annual Meeting of Stockholders (the "Annual Meeting") of Tuesday Morning Corporation (the "Company") will be held at Tuesday Morning Corporation's Headquarters, 6250 LBJ Freeway, Dallas, Texas 75240, on November 29, 2018 at 8:30 a.m., central time. For directions to the Annual Meeting, please write to our Corporate Secretary at Tuesday Morning Corporation, 6250 LBJ Freeway, Dallas, Texas 75240. At the Annual Meeting, the Company will ask the stockholders to:

1. elect seven directors to the Board of Directors;

2. approve in an advisory capacity the Company's executive compensation;

3. ratify the selection of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending June 30, 2019; and

4. transact any other business that may properly come before the Annual Meeting or any postponement or adjournment thereof.

This Notice of Annual Meeting, the Proxy Statement for the Annual Meeting and our Annual Report for fiscal 2018 are being made available to our stockholders on or about October 19, 2018 on the internet, electronically by email for stockholders who have previously consented to electronic delivery or who have requested to receive the proxy materials by email or, upon request, in printed form by mail.

Only stockholders of record at the close of business on October 11, 2018 are entitled to notice of, and to vote at, the Annual Meeting or any postponement or adjournment thereof. If you are the beneficial owner of shares of our common stock held in "street name," you will receive voting instructions from your broker, bank or other nominee (the stockholder of record), which will provide you with details as to how to vote these shares. Additionally, you may vote these shares in person at the Annual Meeting if you have requested and received a legal proxy from your broker, bank or other nominee giving you the right to vote the shares at the Annual Meeting, and you complete the legal proxy and present it to us at the Annual Meeting. Stockholders of record may vote over the internet, by telephone, by mail if you received a printed set of proxy materials or in person at the Annual Meeting.

Under applicable rules, if you hold your shares in street name, brokers, banks or other nominees will not have discretion to vote these shares on the election of directors and the advisory vote on executive compensation. Accordingly, if your shares are held in street name and you do not submit voting instructions to your broker, bank or other nominee, these shares will not be counted in determining the outcome of these proposals at the Annual Meeting. We encourage you to provide voting instructions to your broker, bank or other nominee if you hold your shares in street name so that your voice is heard on these matters.

Thank you for your continued support of and interest in Tuesday Morning Corporation.

By Order of the Board of Directors,

Bridgett C. Zeterberg
Secretary

Dallas, Texas
October 19, 2018

YOUR VOTE IS IMPORTANT

Your vote is important. We urge you to review the accompanying Proxy Statement carefully and to submit your proxy as soon as possible so that your shares will be represented at the meeting.

TUESDAY MORNING CORPORATION

6250 LBJ Freeway
Dallas, Texas 75240

PROXY STATEMENT
for the
ANNUAL MEETING OF STOCKHOLDERS
to be held on
Thursday, November 29, 2018

This Proxy Statement and the related proxy materials are being furnished to stockholders of Tuesday Morning Corporation, a Delaware corporation, on or about October 19, 2018, on the internet, electronically by email for stockholders who have previously consented to electronic delivery or who have requested to receive our proxy materials by email, or, upon request, in printed form by mail. The Board of Directors of the Company (the "Board of Directors" or the "Board") is soliciting your proxy for use at the Annual Meeting of Stockholders to be held on November 29, 2018, at 8:30 a.m., central time, at our corporate headquarters located at 6250 LBJ Freeway, Dallas, Texas 75240, and at any and all adjournments or postponements thereof (the "Annual Meeting"). For directions to the Annual Meeting, please write to our Corporate Secretary at Tuesday Morning Corporation, 6250 LBJ Freeway, Dallas, Texas 75240. At the Annual Meeting, our stockholders will act upon the matters outlined in the Notice of Annual Meeting of Stockholders and described in more detail in this Proxy Statement.

As used in this Proxy Statement, the terms "Tuesday Morning," "Company," "we," "us," and "our" refer to Tuesday Morning Corporation.

Important Notice Regarding Internet Availability

In accordance with rules adopted by the Securities and Exchange Commission ("SEC"), we may furnish proxy materials, including this Proxy Statement and the Company's 2018 Annual Report to Stockholders, by providing access to these documents on the internet instead of mailing a printed copy of our proxy materials to our stockholders. Based on this practice, most of our stockholders receive a Notice of Internet Availability of Proxy Materials (the "Notice"), which provides instructions for accessing our proxy materials on a website referred to in the Notice and for requesting to receive printed copies of the proxy materials by mail or electronically by email.

If you would like to receive a paper or email copy of our proxy materials for our Annual Meeting or for all future meetings, please follow the instructions for requesting such materials included in the Notice. Please note that if you previously requested or consented to delivery of our proxy materials by mail or electronically via email, you did not receive the separate Notice. Instead, we sent you a full set of our proxy materials, which includes instructions for voting on the proposals described in this Proxy Statement. We believe the delivery options that we have chosen allow us to provide our stockholders with the proxy materials they need, while lowering the cost of the delivery of such materials and reducing the environmental impact of printing and mailing paper copies.

PROXY STATEMENT SUMMARY

This summary highlights information contained elsewhere in this Proxy Statement. This summary does not contain all of the information that you should consider, and you should read the entire Proxy Statement carefully before voting.

Annual Meeting Information

Time and Date:	8:30 a.m., central time, on Thursday, November 29, 2018
Place:	Tuesday Morning Corporation 6250 LBJ Freeway Dallas, Texas 75240
Record Date:	October 11, 2018
Voting:	Only stockholders of record at the close of business on October 11, 2018 are entitled to notice of, and to vote at, the Annual Meeting.
How to Vote:	If you are a stockholder of record, you may vote over the internet, by telephone, by mail if you received a printed set of proxy materials or in person at the Annual Meeting. If you are a beneficial owner of shares of our common stock held in "street name," you may vote in accordance with the instructions you receive from your broker, bank or other nominee (the stockholder of record).
Attending the Annual Meeting:	All stockholders as of the close of business on the record date, or their duly appointed proxies, may attend the Annual Meeting. Please note that if you hold your shares in "street name" through a broker, bank or other nominee, you will need to bring either (i) a legal proxy from your broker, bank or other nominee (the stockholder of record) or (ii) a recent brokerage statement reflecting your stock ownership and a validly government issued ID, and check in at the registration desk at the Annual Meeting.

Annual Meeting Agenda and Voting Recommendations

Proposal		Board's Voting Recommendation	Page
No. 1.	**Election of Directors**	"**FOR**" each director nominee	
The Company is asking stockholders to elect seven director nominees to the Board. The Board believes that the nominees possess the necessary experience, qualifications, attributes and skills to serve as directors.			
No. 2.	**Advisory Vote on Executive Compensation**	"**FOR**"	
The Company is asking stockholders to approve, on an advisory basis, the compensation for the named executive officers disclosed in these proxy materials.			
No. 3.	**Ratification of Selection of Independent Registered Public Accounting Firm**	"**FOR**"	
The Company and the Audit Committee are asking stockholders to ratify the engagement of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending June 30, 2019.			

Board Nominees

The following table provides summary information about each director nominee.

Name	Age	Director Since	Principal Occupation	Committee Memberships
Terry Burman(1)	72	2013	Retired Chief Executive Officer of Signet Jewelers Limited	Nominating and Governance (Chair)
Steven R. Becker	51	2012	Chief Executive Officer of Tuesday Morning Corporation	N/A
James T. Corcoran(2)	35	2017	Chief Executive Officer of Purple Mountain Capital Partners LLC	Audit, Nominating and Governance
Barry S. Gluck(2)	66	2017	Off-Price Retail Consultant and retired Executive Vice President of Merchandising, Marketing, and Store Planning and Allocation of Ross Stores Inc.	Compensation, Nominating and Governance
Frank M. Hamlin(2)	50	2014	Chief Marketing Officer of GameStop Corporation	Audit, Compensation
Sherry M. Smith(2)	57	2014	Former Chief Financial Officer and Executive Vice President of SUPERVALU, Inc.	Compensation (Chair)
Richard S Willis(2)	58	2012	Chief Executive Officer and President of Pharmaca Integrative Pharmacies	Audit (Chair), Nominating and Governance

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(1) Independent Chairman of the Board

(2) Independent Director

William Montalto is retiring from the Board, effective immediately prior to the Annual Meeting. The Board thanks Mr. Montalto for his years of service to the Company.

Corporate Governance Highlights

- During the fiscal year ended June 30, 2018, all directors (other than Mr. Montalto and Mr. Becker) were independent and met regularly in executive session.

- The roles of Chief Executive Officer and Chairman of the Board are separate.

- Only independent directors are Committee members.

- All directors are elected annually.

- The Board has a robust director nominee selection process.

The Board has stock ownership guidelines for directors and executive officers.

- The Company has anti-hedging and anti-pledging policies.

- The Company has a robust clawback policy.

- Board, Committee and director performance evaluations are performed annually.

- The Board and Committees are responsible for risk oversight.

- All of our directors attended at least 75% of the meetings of the Board and Committees on which they served during the 2018 fiscal year.

- All sitting directors attended the Company's 2017 Annual Meeting of Stockholders.

Financial Review

In fiscal 2018, we continued to implement our strategy of improving store locations and the in-store experience for our customers, which included (i) closing less productive stores with limited foot traffic and relocating some of these stores to, or opening new stores in, better locations with footprints that are on average three to five thousand square feet larger, (ii) expanding some existing stores to a larger footprint, and (iii) improving the finishes in these relocated, new and expanded stores. We operated 726 stores in 40 states as of June 30, 2018. As part of the implementation of our real estate strategy, we opened 15 new stores in fiscal 2018 and relocated 45 stores.

Some of our fiscal 2018 business highlights include:

- Net sales were $1.0 billion, an increase of 4.1% compared to fiscal 2017 net sales of $966.7 million despite a decrease in store count.

- Comparable store sales increased 3.9% compared to the same period a year ago. The increase in comparable store sales was comprised of an increase in customer transactions of 2.9% along with a 1.0% increase in average ticket. During the period of January 1 to June 30 ("Spring Period"), we had a 5.6% increase in comparable store sales.

- Gross profit for fiscal 2018 was $341.0 million, an increase of 6.3% compared to $320.7 million for fiscal 2017. As a percentage of net sales, gross margin increased to 33.9% in fiscal 2018 compared with 33.2% in fiscal 2017.

- Sales at the 45 stores relocated during the past 12 months increased approximately 58% on average for fiscal 2018 as compared to fiscal 2017 and contributed approximately 370 basis points of comparable store sales growth.

- Our operating loss for fiscal 2018 was $21.0 million, compared to an operating loss of $32.3 million for fiscal 2017. Our operating income for the Spring Period improved $14.6 million versus the Spring Period from the prior year. For fiscal 2018, our net loss was $21.9 million, or diluted net loss per share of $0.50 per share, compared to a net loss of $32.5 million, or $0.74 per share, in the prior year period.

- Adjusted EBITDA, a non-GAAP financial measure, was $9.6 million for fiscal 2018 compared to negative $2.8 million for fiscal 2017.

During the fiscal year, we benchmarked our progress against our top priorities, which are regularly discussed at executive team meetings and are included in both job performance and compensation objectives. Many factors contributed to the positive tone of the business, including the following:

We benefit from continued improvement in our merchandise. The team delivers great products at compelling value. Additionally, the product sourcing environment continues to be favorable. All of these elements have combined to drive broad based strength in our assortment.

We have worked closely with our field operations team to enhance our store presentation as well as improve other operational metrics.

We have remained focused on inventory management. Over the past year, we have worked to identify cohorts in our store base that we felt would respond to adjustments in baseline inventory levels. This project has been successful, and we have seen a notable sales lift in a high percentage of the stores we have touched to date. We continue to identify and address opportunities within our store fleet to improve assortment and adjust inventory levels. The second major focus on the inventory front has been around turn and freshness. We are committed to showing our customer a steady flow of new deals and giving them a reason to return often.

We have increased the effectiveness of our marketing dollars. Our marketing efforts focus on driving customer engagement. Last year, we partnered with a new advertising agency and over the past year we have been moving advertising dollars to our everyday branding message. We continue to see an excellent response to our email messages and are pleased with the economics of our digital initiatives and the success we are having in driving new customers to Tuesday Morning.

While we experienced operational supply chain challenges in fiscal 2017 for which the financial impact carried over into fiscal 2018, our distribution centers are now functioning more efficiently and costs are improving. In fact, our distribution centers are exceeding many of our internal efficiency metrics. These efforts are expected to continue to reduce costs over time.

Increased retail vacancies present new opportunities and we are leveraging these opportunities through lease negotiations and selective portfolio repositioning.

Executive Compensation Highlights

Our executive compensation philosophy is to pay for the creation of long-term value for our stockholders. Accordingly, our program is designed to reward performance linked to the creation of stockholder value and to support executive recruitment, engagement and retention. A significant portion of the executives' total direct compensation is based on the Company's performance and improving stockholder value. This philosophy is reflected in the design of both our short-term cash incentive program and our long-term equity incentive program. We believe that performance-based and equity compensation better aligns the interests of executives and stockholders.

Our pay for performance philosophy is evidenced by the payouts to our executives. As a result of our performance in fiscal 2018 and the strong emphasis that our executive compensation program places on performance-based compensation, the actual compensation realized by our NEOs in fiscal 2018, as well as in fiscal 2017, was significantly lower than our target levels of compensation. In fiscal 2018, our CEO and other executive officers did not receive a base pay increase or any payout under our short-term incentive programs. Also in fiscal 2018, as in fiscal 2017, the Compensation Committee chose to move from value-based dollar grants of long-term incentive equity to flat share amounts equal to the same number of shares awarded in fiscal 2017. As a result, CEO total compensation decreased by 39% from $2,100,796 in fiscal 2017 to $1,284,748 in fiscal 2018, as represented on the Summary Compensation Table. These decreased values of long-term equity awards have resulted in overall compensation levels to the NEOs that are significantly below market.

While our financial performance in fiscal 2018 did not meet the threshold levels for payouts under our incentive compensation programs, our Board and Compensation Committee believe our executive management team is implementing and executing a strategic plan that is positioning the Company for long-term success. We believe our improved performance over the Spring Period shows the positive momentum of our strategic plan and the benefits it is providing to the Company. In 2018, our

Compensation Committee carefully considered the challenges to maintaining this positive momentum, including the risks of attrition in the executive management team due to competitive pressures in the retail industry and competitive hiring pressures in the Dallas-Fort Worth area market. The Compensation Committee also considered the negative impacts on retention of maintaining lower than market target level compensation for our executive officers and the out of the money position of most outstanding long-term equity awards held by our executive team.

In order to maintain our positive momentum and recognizing the significant benefits of continuity, our Compensation Committee, after consultation with its independent compensation consultant, has taken several actions. First, our Compensation Committee approved retention agreements with the members of our executive team (other than our Chief Executive Officer) that will provide retention payments in exchange for each such officer's agreement to remain employed through December 31, 2019. The retention payments are tied to our fiscal year completion and critical upcoming two peak seasons with the majority of the payment occurring in 2020. Second, in connection with approving Mr. Becker's 2019 compensation, our Compensation Committee approved a one-time award to Mr. Becker, 50% of which will be paid in stock that will vest equally over four years and 50% of which will be paid in cash and will be payable only if the Company's stock price appreciates significantly. This award is intended to further focus our CEO on driving performance as measured directly by increases in our share price. These decisions demonstrate the Compensation Committee's commitment to its philosophy of providing executive compensation arrangements that will attract and retain an executive team that will create long-term value for our stockholders while making a substantial portion of pay dependent on our performance.

Some of the compensation "best practices" we employ in furtherance of our philosophy include:

Compensation Governance What We Do & What We Don't Do

What We Do	**What We Don't Do**
Annual "Say on Pay" vote	No discretionary bonuses paid to permanent NEOs when performance results are below threshold performance.
Pay for performance culture, emphasis on performance-based compensation	No tax gross-up upon change-in-control
Meaningful executive ownership guidelines that create a line of sight between stockholders and executive officers	No repricing of stock options and no liberal share recycling
Executive equity retention/holding requirements	No across-the-board pay increases
Manage compensation risk by using a variety of financial metrics in pay programs and capping payouts	No formal non-qualified benefits or perquisite programs
Hedging/pledging and clawback policies	No hedging or pledging of stock
Use of independent compensation consultant	

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND VOTING PROCEDURES

Who Can Vote?

The record date for the Annual Meeting is October 11, 2018 (the "Record Date"). Only holders of record of shares of our common stock, par value $0.01 per share (the "Common Stock"), at the close of business on such date are entitled to notice of, and to vote at, the Annual Meeting. Holders of record of Common Stock are entitled to one vote per share on the matters to be considered at the Annual Meeting. At the close of business on the Record Date, 45,946,656 shares of Common Stock were issued and outstanding and the holders thereof are entitled to vote at the Annual Meeting.

What Constitutes a Quorum?

In order for any business to be conducted at the Annual Meeting, the holders of at least a majority of the shares of our Common Stock entitled to vote at the Annual Meeting must be represented at the Annual Meeting, either in person or by proxy. Proxies received but marked as abstentions and broker non-votes (which are described below) will be considered present at the Annual Meeting for purposes of determining a quorum at the Annual Meeting. Although it is not expected, if holders of less than a majority of the shares of our Common Stock are present or represented by proxy at the Annual Meeting, we may adjourn and reschedule the Annual Meeting, without notice other than announcement at the Annual Meeting, until a quorum is present or represented.

How Do I Vote My Shares?

If you are a stockholder of record, you cannot vote your shares of Common Stock unless you are present at the Annual Meeting or you have previously given your proxy. Written ballots will be provided to anyone who wants to vote in person at the Annual Meeting and is entitled to do so. You can vote by proxy in one of three convenient ways:

- **by mail** if you received a printed set of proxy materials, you can vote by completing, signing, dating and returning the separate proxy card in the postage-paid self-addressed envelope;

- **over the internet** by visiting the website provided in the Notice or provided in the separate proxy card if you received a printed set of proxy materials, and following the instructions provided; or

- **by telephone** by calling the toll-free number provided in the Notice or provided in the separate proxy card if you received a printed set of proxy materials, and following the instructions provided.

Stockholders of record may vote their shares by telephone or over the internet 24 hours a day, seven days a week. Telephone and internet votes must be received by 11:59 p.m. Eastern time on November 28, 2018 and votes by mail must be received on or before the Annual Meeting.

If your shares of Common Stock are held in "street name" by a broker, bank or other nominee, you should have received different voting instructions from your broker, bank or other nominee as to how to vote such shares. These instructions should indicate if internet or telephone voting is available and, if so, provide details regarding how to use those systems to vote your shares. Additionally, you may vote these shares in person at the Annual Meeting if you have requested and received a legal proxy from your broker, bank or other nominee (the stockholder of record) giving you the right to vote these shares in person at the Annual Meeting.

What Is the Recommendation of the Board of Directors?

The Board unanimously recommends that you vote (1) "**FOR**" the election of each of the Board's director nominees, (2) **"FOR"** the approval, on an advisory basis, of the Company's executive compensation, and (3) "**FOR**" the ratification of the selection of Ernst & Young LLP ("Ernst & Young") as our independent registered public accounting firm for fiscal 2019.

How Will the Proxies Be Voted?

Where stockholders have appropriately specified how their proxies are to be voted, they will be voted accordingly. If a properly executed proxy does not indicate any voting instructions, the shares of Common Stock represented by such proxy will be voted as follows:

"**FOR**" the election of each of the Board's director nominees;

"**FOR**" the approval, on an advisory basis, of the Company's executive compensation;

"**FOR**" the ratification of the selection of Ernst & Young as the Company's independent registered public accounting firm for the fiscal year ending June 30, 2019; and

at the discretion of the proxy holders on any other matter that may properly come before the Annual Meeting.

If the Company proposes to adjourn the Annual Meeting, the proxy holders will vote all shares for which they have voting authority in favor of such adjournment. The Board of Directors is not presently aware of any matters other than those stated in the Notice of Annual Meeting of Stockholders and described in this Proxy Statement to be presented for consideration of the Company's stockholders at the Annual Meeting.

Why Did I Receive Multiple Proxy Cards?

Many of our stockholders hold their shares in more than one account and may receive separate proxy cards or voting instruction forms for each of those accounts. To ensure that all of your shares are represented at the Annual Meeting, we recommend that you vote every proxy card that you receive.

How May I Change My Vote or Revoke My Proxy?

If you are a stockholder of record, you may change your vote or revoke your proxy at any time before it is exercised by:

delivering a signed, written revocation letter, dated later than the proxy, to our Secretary at our corporate headquarters at 6250 LBJ Freeway, Dallas, Texas 75240 no later than November 28, 2018;

timely mailing another duly executed proxy bearing a later date to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717 which is received by Vote Processing prior to the applicable deadline;

voting at a later time over the internet or by telephone prior to the applicable deadline, if you previously voted over the internet or by telephone; or

attending the Annual Meeting and casting your vote in person. Your attendance at the Annual Meeting will not, in and of itself, revoke your proxy.

If your shares are held in "street name" through a broker, bank or other nominee, you must contact your broker, bank or nominee to receive instructions as to how to revoke your proxy if such instructions have not already been provided to you. In any case, your last properly-received and timely voted proxy or ballot will be the vote that is counted.

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How Do I Vote My Shares Held in Street Name?

If you are the beneficial owner of shares held in "street name" and do not submit voting instructions to your broker, bank or other nominee, under the applicable rules the broker, bank or other nominee that holds your shares may use its discretion in voting your shares with respect to "routine items" but not with respect to "non-routine items." On non-routine items for which you do not submit voting instructions to your broker, bank or other nominee, these shares will not be voted and will be treated as "broker non-votes." The proposal to ratify the selection of Ernst & Young as our independent registered public accounting firm for fiscal 2019 is considered a routine item and therefore may be voted upon by your broker, bank or other nominee if you do not provide voting instructions on this proposal. However, the election of directors and the advisory vote on executive compensation are considered non-routine items. Accordingly, if your shares are held in "street name" and you do not provide voting instructions to your broker, bank or other nominee, these shares will not be counted in determining the outcome of these proposals at the Annual Meeting. We encourage you to provide voting instructions to your broker, bank or other nominee if you hold your shares in "street name" so that your voice is heard on these matters.

How Many Votes Must Each Proposal Receive to be Adopted?

Assuming the presence of a quorum, the following vote is required for each proposal:

Election of directors The nominees for director who receive a plurality of the votes of the shares of Common Stock present in person or by proxy at the Annual Meeting and entitled to vote thereon will be elected to the Board of Directors. This means the seven nominees who receive the highest number of votes **"FOR"** his or her election at the Annual Meeting will be elected to the Board. Stockholders may not cumulate their votes in the election of directors. If you do not vote for a particular nominee, or if you indicated on your proxy card, via the internet or by telephone that you want to withhold authority to vote for a particular nominee, then your shares will not be voted for that nominee. If you hold your shares in "street name" through a broker, bank or other nominee, your shares will not be voted for any director nominee unless you provide the broker, bank or other nominee with specific voting instructions on a timely basis directing the broker, bank or other nominee to vote for such nominee. Abstentions and broker non-votes do not constitute a vote "for" or "against" a nominee.

Advisory vote on executive compensation The approval, on an advisory basis, of the Company's executive compensation requires the affirmative vote of the majority of shares of our Common Stock present in person or by proxy at the Annual Meeting and entitled to vote thereon. Abstentions are considered to be "present" and "entitled to vote" at the Annual Meeting with respect to this proposal, and as a result, abstentions will have the same effect as a vote against this proposal. Shares underlying broker non-votes are not considered to be "entitled to vote" at the Annual Meeting with respect to this proposal, and as a result, broker non-votes will generally have no effect on the outcome of this proposal, except that each broker non-vote will reduce the absolute number, but not the percentage, of affirmative votes necessary for the approval of the Company's executive compensation.

Ratification of the selection of the Company's independent registered public accounting firm The ratification of the selection by the Audit Committee of the Board (the "Audit Committee") of Ernst & Young as the Company's independent registered public accounting firm for fiscal 2019 requires the affirmative vote of the majority of shares of our Common Stock present in person or by proxy at the Annual Meeting and entitled to vote thereon. Although SEC regulations and NASDAQ rules require the Company's independent registered public accounting firm to be engaged, retained and supervised by the Audit Committee, the selection is being submitted for ratification at the Annual Meeting with a view towards soliciting the opinion of the Company's stockholders, which the Audit Committee will take into consideration in future deliberations. If the selection of Ernst & Young as the Company's independent registered public accounting firm is not ratified at the Annual Meeting, the Audit Committee may consider the engagement of another independent registered public accounting firm, but will not be obligated to do so. Abstentions are considered to be "present" and "entitled to vote" at the Annual Meeting with respect to this proposal, and as a result, abstentions will have the same effect as a vote against this proposal. As discussed above, under applicable rules, brokers, banks and other nominees may use their discretion to vote shares of Common Stock held in "street name" for which voting instructions are not submitted with respect to the ratification of the selection of Ernst & Young, so no broker non-votes are expected for this proposal.

Who Is Soliciting this Proxy?

The Board of Directors is soliciting this proxy. The Company will bear the cost of the solicitation of proxies by the Board of Directors. The Company's directors and certain of the Company's officers and employees in the ordinary course of their employment may solicit proxies by mail, internet, telephone, facsimile, personal contact, email or other online methods. We will reimburse their expenses in connection therewith. We also will reimburse banks, brokers, custodians, nominees or fiduciaries for reasonable expenses they incur in sending these proxy materials to you if you are a beneficial holder of our shares. Other proxy solicitation expenses that we will pay include those for preparing, mailing, returning and tabulating proxies.

The costs of soliciting proxies pursuant to this Proxy Statement will be paid by the Company. Solicitation may be made in person or by telephone, email, mail or facsimile by our directors, officers or employees.

How May I Attend the Annual Meeting?

All stockholders as of the Record Date, or their duly appointed proxies, may attend the Annual Meeting. Please note that if you hold your shares in "street name" through a broker, bank or other nominee you will need to bring a legal proxy from your broker, bank or other nominee (the stockholder of record) or a brokerage statement reflecting your stock ownership as of the Record Date and check in at the registration desk at the Annual Meeting.

When Will the Voting Results Be Announced?

The preliminary voting results are expected to be announced at or shortly following the Annual Meeting. We will report the final voting results, or the preliminary voting results if the final voting results are unavailable, in a Current Report on Form 8-K to be filed with the SEC within four business days after the Annual Meeting. You may obtain a copy of this Form 8-K by visiting the SEC's website at *www.sec.gov* or our website at *www.tuesdaymorning.com*, under "Investor Relations Financial Info SEC Filings."

PROPOSAL NO. 1
ELECTION OF DIRECTORS

At the Annual Meeting, the holders of Common Stock as of the Record Date will consider and vote upon the election of seven directors. The Board has nominated Terry Burman, Steven R. Becker, James T. Corcoran, Barry S. Gluck, Frank M. Hamlin, Sherry M. Smith, and Richard S Willis for election as directors of the Company. Each of Terry Burman, Steven R. Becker, James T. Corcoran, Barry S. Gluck, Frank M. Hamlin, Sherry M. Smith, and Richard S Willis are currently serving as our directors, and each has agreed to stand for re-election to our Board. William Montalto is retiring from the Board, effective immediately prior to the Annual Meeting, at which time the size of the Board will be reduced to seven. The Board thanks Mr. Montalto for his years of service to the Company.

If they are elected, each of the nominees will continue to serve until their successors are duly elected and qualified at the next annual meeting of stockholders, or until their earlier death, resignation or removal. Should any nominee become unable or unwilling to accept nomination for election, which is not currently anticipated, the Board may designate a substitute nominee or reduce the number of directors accordingly. The proxy holders will vote for any substitute nominee designated by the Board. Each of the Board's nominees has indicated his or her willingness to serve the full term.

The following is biographical information about each of the nominees to the Board of Directors, including the specific experience, qualifications, attributes and skills of the nominees that led to the conclusion that each of the nominees should serve as a director of the Company, in light of the Company's business and structure:

***Terry Burman*,** age 72, joined the Board of Tuesday Morning as a director in February 2013, and has served as Chairman of the Board of the Company since December 2015. Prior to that, Mr. Burman served as Lead Independent Director and a member of the Office of the Chairman from September 2015 to December 2015. Mr. Burman has served as the Non-Executive Chairman of the Board of Abercrombie & Fitch Co., a clothing retailer since February 2018 and prior to that as Lead Independent Director since May 2017 and on the board of directors of Abercrombie & Fitch Co., since January 2014. He has been a director of Learning Care Group, a privately-held company operating over 900 learning and daycare centers in the United States, since July 2014. He has been a board member of the St. Jude Children's Research Hospital Board of Governors since July 2004 and served as Chairman of the Board from July 2013 to June 2015. Mr. Burman has also served as a board member of ALSAC, the fundraising organization of St. Jude, since July 2004 and on the Board of Trustees of the Norman Rockwell Museum since September 2016. From March 2001 to January 2011, Mr. Burman was the Chief Executive Officer of Signet Jewelers Limited ("Signet"), a specialty jewelry retailer. Mr. Burman joined Signet in 1995 as the Chairman and CEO of Sterling Jewelers, Inc., a U.S. division of Signet. Mr. Burman also served on the board of directors of Signet until January 2011. Mr. Burman served on the board of directors of YCC Holdings LLC, a retailer of candles, fragrances and other products, from October 2007 until it was acquired in October 2013, and served as chairman of the board and a director of Zale Corporation, a jewelry retailer, from May 2013 until it was acquired in May 2014. Prior to joining Signet, Mr. Burman held various senior executive positions of increasing responsibility with Barry's Jewelers, Inc., which now does business as Samuels Jewelers, from 1980 to 1995, including President and Chief Executive Officer from 1993 to 1995. Prior to that, Mr. Burman was a partner with Roberts Department Stores, a regional department store chain specializing in apparel. In nominating Mr. Burman to serve as a director of the Company, the Board of Directors considered his extensive executive, financial and management expertise and experience, his experience as a chief executive officer in the retail industry, his significant international management experience, and his general business and financial acumen.

Steven R. Becker, age 51, has served as a director of Tuesday Morning since July 2012 and was appointed its Chief Executive Officer in December 2015. Prior to becoming CEO of Tuesday Morning, Mr. Becker served as Chairman of the Board of the Company from July 2012 until September 2015 and as Executive Chairman and head of the Office of the Chairman from September 2015 until December 2015. Prior to becoming CEO of Tuesday Morning, Mr. Becker spent 20 years in the investment management industry with a focus on investing in middle market public companies. Mr. Becker has extensive public company board experience having previously served as a board member at a variety of public companies including, Hot Topic, Inc., an apparel retailer, Ruby Tuesday, a national restaurant company, Emcore, a semiconductor producer, Plato Learning, an educational software Company, Pixelworks, a semiconductor producer, Fuel Systems Solutions, a manufacturer of alternative energy systems, and Special Diversified Opportunities, a holding company that owns businesses in a variety of industries, among others. Prior to becoming CEO of Tuesday Morning, Mr. Becker was the co-managing partner at Becker Drapkin Asset Management, whose predecessor, Greenway Capital, he founded in 2005. From 1997 to 2004, Mr. Becker was a partner at Special Situations Funds, a New York City-based asset manager. Prior to joining Special Situations Funds, Mr. Becker was a part of the distressed debt and leveraged equities research team at Bankers Trust Securities. Mr. Becker began his career at Manley Fuller Asset Management in New York as a small cap analyst. In nominating Mr. Becker to serve as a director of the Company, the Board of Directors considered the insights Mr. Becker brings through his prior service as a director of our Company, his demonstrated leadership and experience as our Chief Executive Officer and his extensive financial experience, in both public and private companies, which provides the Board with valuable expertise in corporate finance, strategic planning, and corporate governance.

James T. Corcoran, age 35, has served as a director of Tuesday Morning since 2017. He has served as the founder and Chief Executive Officer of Purple Mountain Capital Partners LLC, a private investment firm, since June 2017. Prior to founding Purple Mountain Capital Partners LLC, he served as a Principal at Highfields Capital Management, a value-oriented investment management firm in Boston, from 2010 to 2016. Mr. Corcoran worked as an investment banking analyst for Credit Suisse (USA), Inc. in its leveraged finance and restructuring group, from 2006 to 2008, in addition to working in its hedge funds investment group, from 2005 to 2006. Mr. Corcoran received his MBA from the Harvard Business School and his AB with honors in Economics and Political Science from the University of Chicago and is a CFA charter holder. Mr. Corcoran was nominated by the Board pursuant to the terms of a Cooperation Agreement entered into with certain Company stockholders to settle a contested election for directors at the 2017 annual meeting of stockholders for the Company. See "Cooperation Agreement" below for additional information.

Barry S. Gluck, age 66, has served as a director of Tuesday Morning since January 2017. Mr. Gluck served in various senior management positions with Ross Stores Inc. ("Ross") from 1989 to 2007, most recently as Executive Vice President of Merchandising, Marketing and Store Planning and Allocation. Prior to joining Ross, Mr. Gluck was with Today's Man as Vice President, General Merchandise Manager and Chief Merchandising Officer and with Macy's Department Stores as Vice President Divisional Merchandising Manager. Since 2012, Mr. Gluck has served as the Founder and Managing Director of Gluck Consulting LLC, a management consultant group which focuses primarily on off-price/value channels. In nominating Mr. Gluck to serve as a director of the Company, the Board considered his 30-years of off-price and value channel experience, his extensive executive, marketing and management expertise having served as a chief merchandising officer in the retail industry, and his general business and financial acumen.

Frank M. Hamlin, age 50, has served as a director of Tuesday Morning since April 2014. Mr. Hamlin is currently the Chief Marketing Officer of GameStop Corporation ("GameStop"), a global, multichannel video game, consumer electronics and wireless services retailer. Mr. Hamlin had previously served as Chief Marketing Officer of GameStop from June 2014 to August 2016. Mr. Hamlin served as Chief Marketing Officer of Spence Diamonds from May 2018 to August 14, 2018 and as Executive Vice President and Chief Marketing Officer for Tailored Brands, Inc., a leading national menswear retailer from September 2017 to May 2018. Mr. Hamlin previously served as Executive Vice President and GM, Marketing and E-Commerce of Guitar Center, Inc., a musical instruments retailer, from June 2010 until May 2014, and as Executive Vice President and Chief Operating Officer of E-Miles, LLC, an interactive marketing company, from February 2007 to June 2010. From July 2004 until February 2007, he was Director of Marketing, Central Market Division for H.E. Butt Grocery, a fresh, specialty and prepared foods retailer. Prior to that time, Mr. Hamlin held various positions with Brierley & Partners, E-Rewards, Inc., Arista Records and The Walt Disney Company. In nominating Mr. Hamlin to serve as a director of the Company, the Board of Directors considered the various senior executive-level positions he has held with retail service companies, as well as his extensive experience in marketing, branding strategy and customer engagement.

Sherry M. Smith, age 57, has served as a director of Tuesday Morning since April 2014. Ms. Smith served in various positions with SUPERVALU, Inc., a grocery retailer and food distributor, from 1987 to 2013. Ms. Smith served as Chief Financial Officer and Executive Vice President of Supervalu Inc. from December 2010 until August 2013, and she previously served as Senior Vice President, Finance from 2006 until 2010, Senior Vice President, Finance and Treasurer from 2002 until 2005, and in various other capacities with SUPERVALU, Inc. prior to 2002. Prior to joining SUPERVALU, Inc., Ms. Smith held various positions with McGladrey LLP, a public accounting firm. Ms. Smith has served on the board of directors of Deere & Company, a manufacturer and distributor of agricultural, turf, construction and forestry equipment, since December 2011, and currently serves as a member of the audit committee and finance committee. Ms. Smith has also served on the board of directors of Realogy Holdings Corporation since December 2014, and currently serves on its audit committee. Ms. Smith has served on the board of directors of Piper Jaffrey Corp since January 2016, and currently serves on its compensation committee and audit committee. Since January 2015, Ms. Smith has served on the Financial Accounting Standards Advisory Council (FASAC), a group that advises the Financial Accounting Standards Board (FASB) on strategic issues, project priorities and other matters. In nominating Ms. Smith to serve as a director of the Company, the Board of Directors considered her leadership qualities developed from her experience while serving as a senior executive and as Chief Financial Officer of SUPERVALU, Inc., the breadth of her experiences in auditing, finance, accounting, compensation, strategic planning, and other areas of oversight, and her subject matter knowledge in the areas of finance and accounting and other board experience.

Richard S Willis, age 58, has served as a director of Tuesday Morning since July 2012. Since January 2016, Mr. Willis has served as the Chief Executive Officer, President and a Director of Pharmaca Integrative Pharmacies, an innovative retail pharmacy that combines traditional pharmacy services with natural health and beauty products and expert practitioners. From September 2011 through December 2015, Mr. Willis served as the President and Chief Executive Officer and as a director of Speed Commerce, Inc. (formerly Navarre Corporation), one of the nation's largest omni channel, pure play, end-to-end e-commerce solution providers. Mr. Willis previously served as the Executive Chairman of Charlotte Russe, a mall-based specialty retailer of fashionable, value-priced apparel and accessories, from January 2011 to September 2011. From 2009 to 2011, Mr. Willis served as President of Shoes for Crews, a seller of slip resistant footwear. From 2003 to 2007, Mr. Willis was President and Chief Executive Officer of Baker & Taylor Corporation, a global distributor of books, DVDs and music. Previously, Mr. Willis served as Chairman, President and Chief Executive Officer of Troll Communications and President and Chief Executive Officer of Bell Sports. Mr. Willis served four terms as Chairman of the Board of Regents at Baylor University. In nominating Mr. Willis to serve as a director of the Company, the Board of Directors considered his considerable executive leadership experience across multiple industries, including distribution businesses that serve retailers and their suppliers, and his significant expertise in operating businesses and directing transformative plans, including executive level experiences of more than 20 years in retail and manufacturing industries.

The Board of Directors unanimously recommends that you vote "FOR" the election of each of the Board's nominees.

PROPOSAL NO. 2
ADVISORY VOTE ON EXECUTIVE COMPENSATION

As required by Section 14A of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company is asking stockholders to approve, on an advisory basis, the compensation for the named executive officers ("NEOs") disclosed in these materials. This proposal, commonly referred to as a "say on pay" proposal, gives stockholders the opportunity to express their views on the compensation of the NEOs.

The vote on this resolution is not intended to address any specific element of compensation. Rather, the vote relates to the compensation of our NEOs, as described in this Proxy Statement in accordance with the compensation disclosure rules of the SEC. The vote is advisory, which means that the vote is not binding on the Company, our Board of Directors or the Compensation Committee of the Board. The Company currently submits the compensation of NEOs to an advisory vote of stockholders on an annual basis.

As described in more detail below under the heading "Executive Compensation Compensation Discussion and Analysis," our executive compensation program is designed to motivate our executives to create a successful company. We believe that our compensation program, with its balance of short-term incentives (including performance-based cash bonus awards) and long-term incentives (including equity awards that vest over certain time periods and performance-based equity awards), rewards sustained performance that is aligned with long-term stockholder interests. Please read the "Compensation Discussion and Analysis," compensation tables and narrative discussion sections of this Proxy Statement below for additional details about our executive compensation program, including information about the fiscal 2018 compensation of our NEOs.

We believe a significant amount of total compensation should be in the form of short-term and long-term incentive awards to align compensation with our financial and operational performance goals as well as individual performance goals. We continually evaluate the individual elements of our executive compensation program in light of market conditions and governance requirements and make changes where appropriate for our business. We believe that the core of our executive compensation program provides opportunities to reward high levels of individual and Company performance and will help drive the creation of sustainable stockholder value.

The Compensation Committee, which is responsible for determining the compensation of our executive officers, is comprised solely of non-employee directors who satisfy the independence requirements under NASDAQ rules and will continue to emphasize responsible compensation arrangements that attract, retain, and motivate high caliber executives to achieve the Company's business strategies and objectives.

Accordingly, we ask our stockholders to vote on the following resolution at the Annual Meeting:

"**RESOLVED**, that the Company's stockholders approve, on an advisory basis, the compensation paid to the Company's NEOs, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion."

The Board of Directors unanimously recommends that you vote "FOR" the approval of the compensation of the Company's NEOs, as disclosed in this Proxy Statement.

PROPOSAL NO. 3
RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

On September 26, 2018, the Audit Committee selected Ernst & Young as the Company's independent registered public accounting firm for the fiscal year ending June 30, 2019. Although SEC regulations and the NASDAQ listing requirements require the Company's independent registered public accounting firm to be engaged, retained and supervised by the Audit Committee, the selection is being submitted for ratification at the Annual Meeting with a view towards soliciting the opinion of the Company's stockholders, which the Audit Committee will take into consideration in future deliberations. If the selection of Ernst & Young as the Company's independent registered public accounting firm is not ratified at the Annual Meeting, the Audit Committee may consider the engagement of another independent registered public accounting firm, but will not be obligated to do so. The Audit Committee may terminate the engagement of Ernst & Young as the Company's independent registered public accounting firm without the approval of the Company's stockholders if the Audit Committee deems termination to be necessary or appropriate. The Company expects that representatives of Ernst & Young will be present at the Annual Meeting to respond to appropriate questions and will have an opportunity to make a statement if they desire to do so.

The Board of Directors unanimously recommends that you vote "FOR" the ratification of the selection of Ernst & Young as the Company's independent registered public accounting firm for the fiscal year ending June 30, 2019.

CORPORATE GOVERNANCE

Director Nomination

The Nominating and Governance Committee of the Board of Directors is responsible for providing oversight as to the identification, selection and qualification of candidates to serve as directors of the Company and will recommend to the Board candidates for election or re-election as directors (or to fill any vacancies on the Board). The members of the Nominating and Governance Committee are Terry Burman, as Chair, Richard S Willis, Barry S. Gluck and James T. Corcoran. Each of the members of the Nominating and Governance Committee is an independent director under applicable NASDAQ rules. The Nominating and Governance Committee Charter is available on the Company's website at *www.tuesdaymorning.com* under "Investor Relations Corporate Governance Corporate Governance Documents." The Nominating and Governance Committee Charter is also available in print to any stockholder who requests a copy from the Secretary of the Company at 6250 LBJ Freeway, Dallas, Texas 75240.

In identifying and evaluating nominees for director, the Nominating and Governance Committee will take into account the following attributes and qualifications: (1) relevant knowledge and mix of background and experience; (2) personal and professional ethics, integrity and professionalism; (3) accomplishments in their respective fields; (4) the skills and expertise to make a significant contribution to the Board, the Company and its stockholders; and (5) whether the candidate has any of the following qualities: financial expertise, general knowledge of the retail industry, and Chief Executive Officer, Chief Financial Officer or other senior management experience. In addition, although the Nominating and Governance Committee does not have a formal diversity policy in place for the director nomination process, diversity is an important factor in the Nominating and Governance Committee's consideration and assessment of a candidate, with diversity being broadly construed to mean a variety of opinions, perspectives, experiences and backgrounds, including gender, race and ethnicity differences, as well as other differentiating characteristics, all in the context of the requirements of the Board at that point in time. In addition, no person may be considered as a candidate for nomination as a director of the Company if (i) during the last ten years, that person, or any of his or her affiliates, has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors), or is currently under investigation for same or (ii) during the last ten years, that person, or any of his or her affiliates, was a party to a civil proceeding of a judicial or administrative body of competent jurisdiction as a result of which that person, or any of his or her affiliates, was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws on finding any violation with respect to such laws, or is currently under investigation for same. In addition, the Nominating and Governance Committee will recommend to the Board candidates for re-election as directors. The Nominating and Governance Committee may conduct all necessary and appropriate inquiries into the backgrounds and qualifications of potential candidates. There are no specific or minimum qualities a candidate must have to be recommended as a director nominee by the Nominating and Governance Committee.

The process for evaluating candidates is the same regardless of the source of the recommendation. The Nominating and Governance Committee will not discriminate on the basis of race, color, national origin, gender, religion or disability in selecting nominees. In addition to those candidates identified through its own internal processes, the Nominating and Governance Committee will evaluate a candidate proposed by any single stockholder (or group of stockholders) that beneficially owns our Common Stock provided that the information regarding the potential candidate or candidates has been timely given to the Company. In order to be considered by the Nominating and Governance Committee for evaluation for an upcoming annual meeting of stockholders, a notice from a stockholder regarding a potential candidate must be sent to the Company's Secretary at the Company's headquarters by the date specified in the "Stockholders' Proposals" section of the previous year's proxy statement for notice of the intention to nominate directors at the meeting. The notice should set forth (a) as to each person whom the stockholder proposes as a potential candidate for director, (i) the name, age, business address and residence address of such person, (ii) the principal occupation or employment of such person, (iii) the class and number of shares of the Company that are beneficially owned by such person, and (iv) any other information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Exchange Act (including without limitation such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); and (b) as to the stockholder giving the notice, (i) the name and address of the stockholder of record, as they appear on the Company's books, of the beneficial owners, if any, and, if such stockholder or beneficial owner is an entity, the persons controlling such entity, proposing such nomination, (ii) the class and number of shares of the Company which are held of record and beneficially by such stockholder and control persons and a description of certain agreements, arrangements or understandings among the stockholder, beneficial owners or control persons (and a representation to notify the Company of any such agreements, arrangements or understandings in effect as of the record date of the meeting), (iii) a representation that the stockholder is entitled to vote at the meeting and intends to appear at the meeting in person or by proxy, and (iv) a representation whether the stockholder or the beneficial owner or control person, if any, will engage in a solicitation with respect to the nomination and, if so, certain information concerning the solicitation. All candidates (whether identified internally or by a stockholder) who, after evaluation and recommendation by the Nominating and Governance Committee, are then nominated by the Board will be included as the Board's recommended slate of director nominees in the Company's proxy statement.

In addition to submitting potential candidates for consideration by the Nominating and Governance Committee, any stockholder of the Company may nominate one or more individuals for election as a director of the Company at an annual meeting of stockholders if the stockholder sends a notice to the Company's Secretary at the Company's headquarters, in the form specified in the Bylaws, by the date specified in the "Stockholders' Proposals" section of the previous year's proxy statement for nomination of directors. The procedures described in the prior paragraph are meant to establish an additional means by which certain stockholders can have access to the Company's process for identifying and evaluating Board candidates and is not meant to replace or limit stockholders' general nomination rights in any way.

Each of the nominees for director was elected to serve as a director at the last annual meeting of stockholders. Mr. Corcoran was nominated to the Board at the last annual meeting of stockholders pursuant to the terms of a Cooperation Agreement described below.

Cooperation Agreement

Pursuant to the terms of a Cooperation Agreement, dated as of October 1, 2017 (the "Cooperation Agreement"), among the Company, Jeereddi II, LP, Purple Mountain Capital Partners LLC and certain of their affiliates, the Company agreed to nominate James T. Corcoran for election to the Board at the 2017 Annual Meeting. Under the terms of the Cooperation Agreement, Mr. Corcoran will offer his resignation to the Board if at any time the Jeereddi/PMCP Group no longer beneficially owns at least 533,344 shares of the Company's common stock (subject to adjustment for stock splits, reclassifications, combinations and similar adjustments, the "Minimum Ownership Threshold"). In addition, so long as the Jeereddi/PMCP Group meets the Minimum Ownership Threshold, the Jeereddi/PMCP Group will be entitled to certain replacement rights during the Standstill Period (as defined below) in the event Mr. Corcoran is unable to serve as a director.

Also under the terms of the Cooperation Agreement, Jeereddi II agreed to irrevocably withdraw its notice of nomination of candidates for election at the 2017 Annual Meeting. In addition, each member of the Jeereddi/PMCP Group agreed that it will not, directly or indirectly, (i) nominate or recommend for nomination any person for election at the 2018 Annual Meeting, (ii) submit proposals for consideration or otherwise bring any business before the 2018 Annual Meeting, or (iii) engage in certain activities related to "withhold" or similar campaigns with respect to the 2018 Annual Meeting.

The Cooperation Agreement also provides that at the 2018 Annual Meeting, each member of the Jeereddi/PMCP Group will cause all shares of the Company's common stock beneficially owned by them to be present and voted (i) in favor of all of the directors nominated for election by the Board, (ii) in favor of the appointment of the Company's independent registered accounting firm for the years ended June 30, 2019, respectively, and (iii) in accordance with the Board's recommendation with respect to the Company's "say-on-pay" proposal, provided, however, that to the extent that the recommendation of both Institutional Shareholder Services Inc. ("ISS") and Glass Lewis & Co., LLC ("Glass Lewis") differs from the Board's recommendation with respect to any matter other than nominees for election as directors to the Board, the Jeereddi/PMCP Group shall have the right to vote in accordance with the recommendation of ISS and Glass Lewis with respect to such matters.

Further, under the terms of the Cooperation Agreement, each member of the Jeereddi/PMCP Group agreed to certain normal and customary standstill provisions during a standstill period, which is defined as the period beginning on the date of the Cooperation Agreement and through the later of (x) the date that is the first day to submit stockholder nominations for the 2019 annual meeting of stockholders pursuant to the Company's Bylaws (the "2019 Advance Notice Date") and (y) the date that Mr. Corcoran no longer serves on the Board; provided, however, that if Mr. Corcoran resigns for any reason prior to the 2019 Advance Notice Date, the Standstill Period shall continue until the 2019 Advance Notice Date (the "Standstill Period").

Among other things, the standstill provisions provide that, during the Standstill Period, each member of the Jeereddi/PMCP Group will not, among other things, solicit proxies or consents regarding any matter to come before any annual or special meeting of stockholders, or enter into a voting agreement or any group with stockholders other than affiliates of the Jeereddi/PMCP Group and current group members. In addition, each member of the Jeereddi/PMCP Group will not seek to make, or encourage any third party in making, any offer or proposal with respect to any tender offer, merger, acquisition, amalgamation, recapitalization, restructuring, disposition, spin-off, asset sale, joint venture or other business combination involving the Company and will not seek, or encourage any person, to submit nominees in furtherance of a contested solicitation for the election or removal of directors.

Each of the parties also agreed to certain mutual non-disparagement obligations, and the Company agreed to reimburse the Jeereddi/PMCP Group for its reasonable, documented out-of-pocket fees and expenses, including legal expenses, occurred in connection with the matters related to the negotiation and execution of the Cooperation Agreement, up to a maximum of $25,000.

Director Independence

NASDAQ listing standards require our Board of Directors to be comprised of at least a majority of independent directors. For a director to be considered independent, the Board must determine that the director does not have any direct or indirect material relationship with the Company which would interfere with the exercise of independent judgment in carrying out of his or her responsibilities as a director. Based on the independence standards prescribed by NASDAQ, our Board has affirmatively determined that six of the eight current directors are independent. Mr. Becker is not independent due to his relationship with the Company as Chief Executive Officer. The Board determined that Mr. Montalto is not independent due to the services that he provided to the Company between August 2015 and October 2016 in various capacities. In determining that Mr. Burman is independent, our Board considered his prior service as a member and Vice Chairman of the Office of the Chairman as described below, and determined that such service would not interfere with his independence because he received no compensation for such service, served only in an advisory role and did not perform any management or executive functions. As prescribed by NASDAQ rules, the independent directors have regularly scheduled meetings without management present.

Independent Chairman of the Board

With the exception of a three-month period in 2015 following the retirement of the Company's chief executive officer, the Company has had different individuals serving as its Chief Executive Officer and Chairman of the Board since 2000. Since December 2015, Mr. Burman has served as independent Chairman of the Board. The separation of the roles of Chairman of the Board and Chief Executive Officer is designed to allow our Chief Executive Officer, Mr. Becker, to focus on the day-to-day management of the Company's business and to allow our independent Chairman of the Board, Mr. Burman, to focus on the continued development of a high-performing Board, including (1) ensuring the Board remains focused on the Company's long-term strategic plans, (2) developing Board agendas, (3) working with Company management to ensure the Board has timely and adequate information, (4) coordinating Board committee activities, (5) supporting the Chief Executive Officer and (6) ensuring effective stakeholder communications. The Board recognizes the time, effort and energy that the Chief Executive Officer is required to devote to his position in the current business environment, as well as the commitment required to serve as our Chairman, particularly as the Board's oversight responsibilities continue to grow. The Board believes, due to the continued leadership and experience provided by these two individuals, that having separate positions is the appropriate leadership structure for the Company at this time and demonstrates our commitment to good corporate governance.

Board of Directors' Role in Risk Oversight

In the normal course of business, our Company faces a variety of enterprise risks, including operational risks, cyber security risks and liquidity risk. In fulfilling its risk oversight role, the Board focuses on the adequacy of the Company's risk management process and overall risk management system. The Board believes an effective risk management system will (1) adequately identify the material risks that the Company faces in a timely manner, (2) implement appropriate risk management strategies that are responsive to the Company's risk profile and specific material risk exposures, (3) integrate consideration of risk and risk management into business decision-making throughout the Company and (4) include policies and procedures that adequately transmit necessary information with respect to material risks to senior executives and, as appropriate, to the Board or relevant committee.

The Board of Directors oversees the Company's strategic direction and its policies with respect to risk assessment and risk management, as well as major risk exposures and the process used to manage those exposures. Accordingly, the Board of Directors periodically reviews the risks associated with the various departments within the Company, in addition to its other duties. The Board of Directors receives information from Board committees, management and advisors regarding the Company's risk management process and system, the nature of the material risks the Company faces and the adequacy of the Company's policies and procedures designed to respond to and mitigate these risks.

Communication with the Board of Directors

Stockholders may communicate with one or more members of the Board in writing by regular mail. The following address may be used by stockholders who wish to send such communications:

Board of Directors
c/o Secretary
Tuesday Morning Corporation
6250 LBJ Freeway
Dallas, Texas 75240

Such communication should be clearly marked "Stockholder-Board Communication." The communication must indicate whether it is meant to be distributed to the entire Board, a specific committee of the Board or to specific members of the Board, and must state the number of shares beneficially owned by the stockholder making the communication. The Secretary has the authority to disregard any inappropriate communications. If deemed an appropriate communication, the Secretary will submit such stockholder's correspondence to the Chairman of the Board (on behalf of the Board) or to any specific committee, director or directors to whom the correspondence is directed.

Code of Business Conduct

We have adopted a "Code of Business Conduct" that establishes the business conduct to be followed by all of our officers, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions (the "Senior Financial Officers"), and all of our employees and members of our Board and embodies the Company's principles and practices relating to the ethical conduct of the Company's business and its long-standing commitment to honesty, fair dealing and full compliance with all laws affecting the Company's business. This policy is reviewed by the Board annually. Amendments to and waivers from the Code of Conduct with respect to the Senior Financial Officers will be posted on our website within four business days after approval by the Board. Any waiver from the Code of Conduct with respect to our Senior Financial Officers requires approval by the Board. There were no waivers from the Code of Conduct with respect to the Senior Financial Officers during the fiscal year ended June 30, 2018. The Code of Conduct is available on the Company's website at *www.tuesdaymorning.com* under "Investor Relations Corporate Governance Corporate Governance Documents".

MEETINGS AND COMMITTEES OF THE BOARD

Board of Directors

Each director is expected to devote sufficient time, energy and attention to ensure diligent performance of his or her duties and to attend all Board, committee and stockholder's meetings. During the fiscal year ended June 30, 2018, the Board of Directors held seven meetings. Each of our directors attended more than 75% of the Board and committee meetings held during the fiscal year (or portion of the fiscal year during which he or she served as a director or committee member). Directors are encouraged to attend the Company's annual meeting of stockholders. All of the directors then serving on the Board attended the Company's 2017 Annual Meeting of Stockholders meeting held on November 15, 2017.

Committees of the Board

The Board has three standing committees to facilitate and assist the Board in the execution of its responsibilities. The committees are the Audit Committee, the Compensation Committee and the Nominating and Governance Committee.

Audit Committee

For the fiscal year ended June 30, 2018, the Audit Committee had three members and met eight times. Such members were Richard S Willis, as Chair, Frank M. Hamlin and James T. Corcoran, all of which were non-employee directors and all of whom the Board has determined are independent pursuant to the applicable NASDAQ rules and satisfy the SEC requirements relating to the independence of audit committee members. The Board also determined that all the members of the Audit Committee had the ability to read and understand fundamental financial statements.

For the fiscal year ended June 30, 2018, the Board of Directors determined that Mr. Willis qualified as an "audit committee financial expert" as defined by applicable SEC rules and designated him as the Company's audit committee financial expert. The Board has adopted a charter for the Audit Committee, which is available on the Company's website at *www.tuesdaymorning.com* under "Investor Relations Corporate Governance Corporate Governance Documents." The Audit Committee Charter is also available in print to any stockholder who requests a copy from the Secretary of the Company at 6250 LBJ Freeway, Dallas, Texas 75240.

The Audit Committee's responsibilities, which are discussed in detail in its charter include, among other things, the duty and responsibility to:

- establish policies and procedures for reviewing and approving the appointment, compensation, retention and oversight of our independent registered public accounting firm;
- review and discuss with our independent registered public accounting firm, internal auditors and management the adequacy and effectiveness of the Company's system of internal controls;
- review the scope and results of our independent registered public accounting firm's audit of the Company's annual financial statements, accompanying footnotes and audit report;
- pre-approve all audit and permissible non-audit fees;
- review and discuss with management and the registered independent public accounting firm of the Company the annual and quarterly consolidated financial statements of the Company and related disclosures;
- review and discuss with management and the registered independent public accounting firm of the Company significant issues regarding accounting principles and financial statement presentations;
- review, approve and ratify related party transactions; and

perform other functions or duties deemed appropriate by the Board.

The Audit Committee has authority under its charter to retain any independent counsel, experts or advisors (accounting, financial, legal or otherwise) that the Audit Committee believes to be necessary or appropriate to assist in the fulfillment of its responsibilities. At each meeting, the Audit Committee meets in executive session in which only independent directors are present. The Audit Committee also meets independently with the Company's independent registered public accounting firm.

Compensation Committee

The Compensation Committee has three members and met 12 times during the fiscal year ended June 30, 2018. The Compensation Committee is comprised solely of non-employee directors, all of whom the Board has determined are independent pursuant to applicable NASDAQ rules.

For the fiscal year ended June 30, 2018, the Compensation Committee was comprised of Sherry M. Smith, as Chair, Frank M. Hamlin and Barry S. Gluck. On October 4, 2017, Jimmie L. Wade, a director and member of the Compensation Committee, provided the Company with notice of his intention to retire and not to seek reelection as a director at the Company's 2017 Annual Meeting of Stockholders. After the Company's 2017 Annual Meeting of Stockholders, the Board appointed Barry S. Gluck to serve on the Compensation Committee. The Board adopted a charter for the Compensation Committee, which is available on the Company's website at *www.tuesdaymorning.com* under "Investor Relations Corporate Governance Corporate Governance Documents." The Compensation Committee Charter is also available in print to any stockholder who requests a copy from the Secretary of the Company at 6250 LBJ Freeway, Dallas, Texas 75240.

The Compensation Committee's responsibilities, which are discussed in detail in its charter include, among other things, the duty and responsibility to:

review and approve the corporate goals and objectives relevant to the compensation of our Chief Executive Officer, evaluate the performance of our Chief Executive Officer in light of those goals and objectives, and determine the compensation of our Chief Executive Officer based on this evaluation;

review and approve compensation and incentive arrangements (including any employment or severance agreements) for the executive officers of the Company;

review and assess the results of any stockholder advisory vote with respect to the Company's executive compensation;

administer the Company's equity incentive plans, including the review and grant of stock options and other equity incentive grants to directors, executive officers and other key employees of the Company; and

perform other functions or duties deemed appropriate by the Board.

The Compensation Committee also oversees the Company's stock ownership guidelines for non-employee directors and certain executive officers.

Compensation Committee meetings have been regularly attended by the Chief Executive Officer. At each meeting, the Compensation Committee meets in an executive session in which only independent directors are present. None of the executive officers are present during voting or deliberations on his or her compensation.

The Compensation Committee has authority under its charter to retain, approve fees for and terminate advisors, consultants and legal counsel as it deems necessary to assist in the fulfillment of its responsibilities. See "Executive Compensation Compensation Discussion and Analysis How Compensation Decisions Are Made The Role of the Executive Compensation Consultant" below for more information regarding the role of the compensation consultant utilized by the Compensation

Committee. Prior to engaging any such advisor, consultant or legal counsel, the Compensation Committee conducts an independence assessment of such advisor pursuant to NASDAQ rules and federal securities laws and regulations, but the Compensation Committee retains discretion to engage any such advisor, without regard to its independence, after considering the findings in such assessment. The Compensation Committee also reviews and discusses with the appropriate officers of the Company any disclosures required under federal securities laws and regulations regarding conflicts of interest with respect to such advisors.

Nominating and Governance Committee

The Nominating and Governance Committee has four members and met four times during the fiscal year ended June 30, 2018. The Nominating and Governance Committee is comprised solely of non-employee directors, all of whom the Board has determined are independent pursuant to applicable NASDAQ rules.

The Nominating and Governance Committee is currently comprised of Terry Burman, as Chair, Richard S Willis, Barry S. Gluck and James T. Corcoran. The Board adopted a charter for the Nominating and Governance Committee, which is available on the Company's website at *www.tuesdaymorning.com* under "Investor Relations Corporate Governance Corporate Governance Documents." The Nominating and Governance Committee Charter is also available in print to any stockholder who requests a copy from the Secretary of the Company at 6250 LBJ Freeway, Dallas, Texas 75240.

The Nominating and Governance Committee's responsibilities, which are discussed in detail in its charter include, among other things, the duty and responsibility to:

- evaluate and recommend to the Board from time to time as to changes that the Nominating and Governance Committee believes to be necessary, appropriate or desirable with respect to the size, composition, and functional needs of the Board;
- periodically review the Company's Certificate of Incorporation and Bylaws and make recommendations to the Board as they relate to corporate governance matters;
- develop and recommend to the Board specific guidelines and criteria for screening and selecting nominees to the Board, including any director nominations submitted by the Company's stockholders;
- provide oversight as to the identification, selection, and qualification of candidates for the Board, including interviewing and evaluating new candidates for the Board;
- recommend to the Board candidates for election or re-election as directors or to fill any vacancies on the Board;
- recommend to the Board candidates for appointment to the standing committees of the Board in accordance with the policies and principles in such committees' charters and taking into consideration such other factors as it deems necessary, appropriate or desirable;
- oversee and approve the management continuity planning process and make recommendations to the Board regarding CEO and other executive officer succession;
- periodically review and assess the Company's corporate governance principles and make recommendations to the Board for changes as deemed necessary, appropriate or desirable; and
- perform other functions or duties deemed appropriate by the Board.

The Nominating and Governance Committee has authority under its charter to retain, approve fees for and terminate advisors, consultants and legal counsel as it deems necessary to assist in the fulfillment of its responsibilities.

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Executive Compensation

Compensation Discussion and Analysis

This Compensation and Discussion Analysis provides a summary of our compensation policies, principals and practices. More specifically, it presents a review and analysis of fiscal 2018 earned compensation by our NEOs. This discussion analysis does include statements regarding Company and individual targets and goals which are disclosed in context of our compensation programs and are not intended to provide estimates of results or to provide other guidance.

Letter from Compensation Committee

Dear Fellow Stockholders:

As members of the Compensation Committee, we have established and oversee an executive compensation program directly linked to performance and the creation of long-term value for our stockholders. The program is designed to reward performance linked to stockholder value and support executive recruitment, engagement and retention.

Our pay-for-performance philosophy is evidenced by the payouts to our executives. As a result of our performance in fiscal 2018 and the strong emphasis that our executive compensation program places on performance-based compensation, the actual compensation realized by our NEOs in fiscal 2018, as well as in fiscal 2017, was significantly lower than our target levels of compensation. In particular:

- our CEO and executive officers did not receive a base pay increase in fiscal 2018;

- our CEO and executive officers did not receive any payout under our short-term incentive programs;

- based on our fiscal 2018 performance, it is unlikely that our executive officers will receive any payout under the performance-based long-term incentive awards granted in fiscal 2018 or those granted in fiscal 2017. In addition, in fiscal 2018, as in fiscal 2017, the Compensation Committee chose to move from value-based dollar grants of LTI equity to flat share amounts equal to the same number of shares awarded in fiscal 2017. As a result CEO total compensation decreased by 39% from $2,100,796 in fiscal 2017 to $1,284,748 in fiscal 2018, as represented on the Summary Compensation Table. These decreased values of long-term equity awards have resulted in overall compensation levels to the NEOs that are below market.

While our financial performance in fiscal 2018 did not meet the threshold levels for payouts under our incentive compensation programs, our Board and Compensation Committee believe our executive management team is implementing and executing a strategic plan that is positioning the Company for long-term success. In fiscal 2018, we continued to implement our strategy of improving store locations and the in-store experience for our customers, which included (i) closing less productive stores with limited foot traffic and relocating some of these stores to, or opening new stores in, better locations with footprints that are on average three to five thousand square feet larger, (ii) expanding some existing stores to a larger footprint, and (iii) improving the finishes in these relocated, new and expanded stores.

We believe our improved performance over the Spring selling season shows the positive momentum of our strategic plan and the benefits it is providing to the Company. In 2018, our Compensation Committee carefully considered the challenges to maintaining this positive momentum, including the risks of attrition in the executive management team due to competitive pressures in the retail industry and competitive hiring pressures in the Dallas-Fort Worth area market, as well as the negative impacts on retention of continuing actual realized compensation being lower than target level compensation for our executive officers and the significantly under water position of most outstanding long-term equity awards held by our executive team.

In order to maintain our positive momentum and recognizing the significant benefits of continuity, our Compensation Committee, after consultation with its independent compensation consultant, has taken several actions. First, our Compensation Committee approved retention agreements with the members of our executive team (other than our Chief Executive Officer) that will provide additional payments in exchange for each such officer's agreement to remain employed through December 31, 2019, taking us through two critical peak seasons. Second, in connection with approving Mr. Becker's 2019 compensation, our Compensation Committee approved a one-time award to Mr. Becker, 50% of which will be paid in stock that will vest equally over four years and 50% of which will be paid in cash and will be payable only if the Company experiences substantial stock price appreciation. These decisions demonstrate the Compensation Committee's commitment to it philosophy of providing executive compensation arrangements that will attract and retain an executive team that will create long-term value for our stockholders while making a substantial portion of pay dependent on our performance.

We held 12 Compensation Committee meetings during fiscal 2018, and the average Director attendance at these meetings of our current Compensation Committee member was 100%. We are engaged and take our responsibilities seriously in establishing and overseeing the executive compensation program.

We thank you for your continued support.

Compensation Committee Report

The Compensation Committee of the Company has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Compensation Committee has recommended to the Board that the Compensation Discussion and Analysis be included in the Proxy Statement.

THE COMPENSATION COMMITTEE
Sherry M. Smith, Chair
Frank M. Hamlin
Barry S. Gluck

Fiscal 2018 Financial and Business Performance Review

While certain areas of the retail industry continue to be challenged by external market pressures, Tuesday Morning continues to make both financial and operational progress on its key initiatives. We achieved a number of milestones during the past fiscal year and had positive inflections in our performance metrics. Some of our financial and business highlights for the fiscal year include:

- Net sales of $1.0 billion, an increase of 4.1% compared to fiscal 2017 net sales of $966.7 million despite a decrease in store count.
- Comparable store sales increased 3.9% compared to the same period a year ago. The increase in comparable store sales was comprised of an increase in customer transactions of 2.9% along with a 1.0% increase in average ticket. During the Spring Period, we had a 5.6% increase in comparable store sales.
- Gross profit for fiscal 2018 was $341.0 million, an increase of 6.3% compared to $320.7 million for fiscal 2017. As a percentage of net sales, gross margin increased to 33.9% in fiscal 2018 compared with 33.2% in fiscal 2017.
- Sales at the 45 stores relocated during the past 12 months increased approximately 58% on average for fiscal 2018 as compared to fiscal 2017 and contributed approximately 370 basis points of comparable store sales growth.
- The Company's operating loss for fiscal 2018 was $21.0 million, compared to an operating loss of $32.3 million for fiscal 2017. Our operating income for the Spring Period improved $14.6 million versus the Spring Period from the prior year. For fiscal 2018, our net loss was $21.9 million, or diluted net loss per share of $0.50 per share, compared to a net loss of $32.5 million, or $0.74 per share, in the prior year period.
- Adjusted EBITDA, a non-GAAP financial measure, was $9.6 million for fiscal 2018 compared to negative $2.8 million for fiscal 2017.

In a very competitive and challenging retail environment, we have been able to attract and retain a strong leadership team that has continued to be focused on making positive progress against our priorities:

Fiscal 2018 Priority	Summary of Objective
Financial Results	Achieve total sales projection
SG&A	Operate within the budget
Real Estate	Continue to drive performance in new and relocated stores while placing increased emphasis on legacy stores
Supply Chain	Continue to capitalize on efficiencies in distribution centers
Merchandising	Increase inventory turn; provide freshness in merchandise and brands
Marketing	Execute digital campaign; shift from print to digital

Our Compensation Philosophy

The connection between pay and performance continues to be a primary focus of our compensation philosophy. Our executive compensation program is directly linked to performance and the creation of long-term value for our stockholders. The program is designed to reward performance linked to the creation of stockholder value and to support executive recruitment, engagement, and retention. A significant portion of the executives' total direct compensation is based on the Company's performance and improving stockholder value. This philosophy is reflected in the design of both our short-term cash incentive program and our long-term equity incentive program. We believe that performance-based and equity compensation better aligns the interests of executives and stockholders. We aim to reward short-term financial performance achievements through our cash incentive program, while long-term value creation is incentivized through our long-term equity incentive program. In addition, we have stock ownership guidelines for executives to ensure direct alignment of incentives with stockholders.

We consider a number of relevant factors when determining an individual executive's compensation package and manage total compensation around the median of the market as determined by analysis of our peer group and an evaluation of the broader retail industry. Our total compensation program is designed to attract and retain talented executives who are excited about and committed to our future success.

As a result of our performance in fiscal 2018 and the strong emphasis that our executive compensation program places on performance-based compensation, the actual compensation realized by our NEOs in fiscal 2018, as well as in fiscal 2017, was significantly lower than each individual executive's target compensation opportunity.

Compensation Governance for Fiscal 2018

What We Do & What We Don't Do

Our commitment to good corporate governance practices and accountability to our stockholders is described below:

Compensation Governance What We Do & What We Don't Do

What We Do	What We Don't Do
Annual "Say on Pay" vote	No discretionary bonuses paid to NEOs when performance results are below threshold performance
Pay for performance culture, with an emphasis on performance-based compensation	No tax gross-up upon change-in-control
Meaningful executive ownership guidelines that create a line of sight between stockholders and executive officers	No re-pricing of stock options and no liberal share recycling
Executive equity retention/holding requirements	No across-the-board pay increases
Manage compensation risk by using a variety of financial metrics in pay programs and capping payouts	No formal non-qualified benefits or perquisite programs
Restrict hedging and pledging activities and employ clawback policies	No hedging or pledging of stock
Use of independent compensation consultant reporting directly to the Compensation Committee	

EXECUTIVE OFFICERS

Our Named Executive Officers (NEOs)

Our NEOs remained consistent from fiscal 2017 to fiscal 2018. Our NEOs were:

Named Executive Officer	Position
Steven R. Becker	Chief Executive Officer and President
Stacie R. Shirley	Executive Vice President, Chief Financial Officer & Treasurer
Phillip D. Hixon	Executive Vice President, Store Operations
Trent E. Taylor	Chief Information Officer and Executive Vice President, Supply Chain and Inventory Management
Belinda J. Byrd-Rohleder	Senior Vice President and General Merchandising Manager

The following sets forth certain information about our executive officers, other than Mr. Becker, our Chief Executive Officer, whose biographical information is included above under "Proposal No. 1 Election of Directors."

Stacie R. Shirley

Ms. Shirley, age 49 has served as the Company's Executive Vice President, Chief Financial Officer and Treasurer since January 2016. Prior to joining the Company, Ms. Shirley served as an executive officer of Neiman Marcus Group LTD LLC, a luxury fashion retailer, serving as Senior Vice President, Finance and Treasurer from September 2010 until December 2015 and Vice President, Finance and Treasurer from December 2001 until September 2010. In her most recent position with Neiman Marcus Group, Ms. Shirley's areas of responsibility included finance, capital markets and treasury operations, capital planning and forecasting, credit operations, investor relations, risk management and internal audit. Prior to joining Neiman Marcus Group, Ms. Shirley served in various capacities at CompUSA Inc. from 1993 to 2001, including serving as Vice President, Finance and Treasurer from 1999 to 2001. Ms. Shirley began her career as an accountant with Ernst & Young in 1990 and is a certified public accountant.

Phillip D. Hixon

Mr. Hixon, age 64, has served as the Company's Executive Vice President, Store Operations since September 2015 and served as a member of the Office of Chairman from September 2015 until the dissolution of that office in December 2015. From June 2014 to September 2015, Mr. Hixon served as the Company's Senior Vice President, Store Operations, and from September 2013 to June 2014, Mr. Hixon served as the Company's Vice President, Store Planning. Prior to joining the Company, Mr. Hixon served as Vice President of Business Development of Merchco Services, Inc., a provider of retail store development and support services, from June 2012 until August 2013. From 2011 until 2012 and 2005 until 2006, Mr. Hixon owned and served as principal of Diversified Resources LLC, where he developed and implemented programs for clients in the areas of strategic planning, effective business practices, process enhancement and organizational effectiveness. From 2009 until 2011, Mr. Hixon served in the Department of Strategy and Innovation of Petco Animal Supplies Inc., a specialty retailer of pet supplies. From 2006 until 2009, Mr. Hixon held various executive positions with Duckwall-Alco Stores Inc., a retail chain, including Senior Vice President, Store Operations, Real Estate, Store Development and Senior Vice President, Merchandising. Mr. Hixon served as Vice President, Store Development for Michaels Stores, Inc., a national arts and crafts specialty retailer, from 1987 until 2005.

Trent E. Taylor

Mr. Taylor, age 61, has served as the Company's Chief Information Officer and Executive Vice President, Supply Chain and Inventory Management since March 2018. From June 2017 to February 2018, he served as the Company's Senior Vice President, Chief Information and Inventory Management Officer, from January 2017 to June 2017 as Senior Vice President, Chief Information Officer and Supply Chain Officer, and from April 2016 to January 2017 as the Company's Senior Vice President, Chief Information Officer. Prior to joining the Company, Mr. Taylor served as an executive officer of hhgregg, a retailer of consumer electronics and home appliances as Chief Information Officer from September 2011 until March 2016. From November 1992 until 2009, Mr. Taylor served in various roles for the Walgreen Company including Chief Information Officer and Executive Vice President of e-commerce.

Belinda J. Byrd-Rohleder

Ms. Byrd-Rohleder, age 55, has served as the Company's Senior Vice President, General Merchandising Manager since January 2017 and served as Vice President, Division Merchandising Manager from June 2015 until January 2017. Prior to joining the Company, Ms. Byrd-Rohleder served as the Senior Vice President of Arden Companies from August 2012 until May 2014. From February 2010 until January 2012, Ms. Byrd-Rohleder served as the Senior Vice President, General Merchandise Manager for Home and Hardlines at Shopko, a regional mass merchant. Prior to joining Shopko, Ms. Byrd-Rohleder was the Senior Vice President at HSN for Home and Apparel/Accessories from August 2006 to July 2008. Prior to joining HSN, Ms. Byrd-Rohleder held the role of VP/GMM of Soft Home for Sears Holdings (both Kmart and Sears companies) from May 2004 to August 2006. Prior to Sears Holdings, Ms. Byrd-Rohleder served in various roles with Kmart Corporation from 1994 to 2004, including Divisional Vice President of Soft Home and Senior Buyer of numerous home businesses, including Home Textiles, Housewares and Furniture.

How Compensation Decisions are Made

The Compensation Committee, which is comprised solely of independent directors, oversees the development and administration of our executive compensation programs. The Compensation Committee considers financial and strategic achievements against business goals and plans in its annual review of total executive compensation programs and practices relative to market trends and practices, as well as to the Company's performance.

The Compensation Committee establishes the design of all executive pay programs, including those for our Chief Executive Officer. The Compensation Committee reviews and approves individual executive annual pay targets, sets financial and business metrics for performance-based plans and approves final payout levels for executive officers.

The Role of the Executive Compensation Consultant

The Compensation Committee has an independent executive compensation consultant that reports directly to the Committee. The Committee has the authority to retain, terminate, compensate and oversee any compensation consultant or other advisors to assist the committee in the discharge of its responsibilities.

The Korn Ferry Hay Group had been providing executive compensation consulting services to the Compensation Committee of the Board since December 2013. In February 2018, following a request for proposal, the Committee engaged Willis Towers Watson to provide executive compensation consulting services. Willis Towers Watson has significant retail experience to help benchmark and position our executive compensation programs to ensure they are competitive, performance-based, compliant and cost-effective. Since that time, Willis Towers Watson has assisted the Compensation Committee with:

- advice and analysis on the design, structure and level of executive compensation;
- review of market survey and proxy compensation data for benchmarking;
- advice on the external retail environment, executive retention issues and evolving compensation trends;
- peer group review and analysis;
- review of current and past retail practices for delivering performance-based pay in a challenging environment; and
- assistance with continuing tax and regulatory compliance and changes regarding compensation matters.

Willis Towers Watson will also be involved in the analysis of the design, structure and level of the non-employee director compensation program, when requested.

Following a review of the independence of Willis Towers Watson, the Compensation Committee concluded that no conflict of interest exists with respect to the work of Willis Towers Watson. The Compensation Committee has a policy that states that any projects done with Willis Towers Watson outside of board and executive compensation activities must be reviewed and approved by the committee.

As compensation consultants, Willis Towers Watson representatives attend the Compensation Committee meetings, including executive sessions. Although the compensation consultants to the Compensation Committee work with our management on various matters for which the Compensation Committee is responsible, our management does not direct or oversee the retention or activities of Willis Towers Watson. During fiscal 2018, a total of $61,168 was paid to Korn Ferry Hay Group and a total of $26,622 was paid to Willis Towers Watson. All of these costs have been paid to these firms as the Compensation Committee's compensation consultant in fiscal 2018.

The Role of Management

In reviewing and making compensation decisions, the Compensation Committee also relies on the CEO's view of the business, people strategy and the performance of other senior leaders. Certain members of our management meet periodically with Willis Towers Watson consultants at the direction of the Compensation Committee to ensure the consultants have the information they need to advise the Compensation Committee. The compensation consultant works directly with the Compensation Committee on CEO compensation.

Stockholder Support of Fiscal 2017 Advisory Vote on Executive Compensation

At our November 2017 annual stockholders' meeting, 96.9% of our stockholders who voted on our "Say on Pay" advisory proposal voted in favor of our executive compensation program, up from approximately 88% in the prior year. Although the advisory stockholder vote on executive compensation is non-binding, the Compensation Committee takes the results of the stockholder vote into consideration when determining its approach to future compensation decisions. We look forward to continued feedback on compensation matters and other issues relevant to our business.

Our Use of Compensation Peer Group Analysis

We generally review peer group information in making compensation determinations. In fiscal 2018, the Compensation Committee conducted a comprehensive review of our peer group to assure that it provides a relevant comparison to the market. The Compensation Committee considered a number of factors in determining the appropriate peer group including:

- similar size in terms of revenue (1/2x to 2x our revenue),
- financial performance (market capitalization, profitability, and gross margin), and
- business model (e.g., retail, hard goods retail, household goods retail, and off-price retail, number of stores, number of employees).

Companies may still be considered for inclusion in the peer group even if they do not meet all of the criteria. The Compensation Committee, with advice from Willis Towers Watson, elected to make the following changes to our peer group in fiscal 2018:

Company	Action
At Home Group, Inc.	Add
Citi Trends, Inc.	Add
Fred's, Inc.	Remove

Our current peer group includes the following 16 companies:

Fiscal 2018 Peer Group	
At Home Group, Inc.	Ollie's Bargain Outlet Holdings, Inc.
Big 5 Sporting Goods Corporation	Pier 1 Imports, Inc.
Citi Trends, Inc.	Restoration Hardware
Five Below, Inc.	Shoe Carnival, Inc.
Haverty Furniture Companies, Inc.	Stage Stores, Inc.
Hibbett Sports, Inc.	Stein Mart, Inc.
Kirkland's, Inc.	The Cato Corporation
La-Z-Boy Incorporated	Vitamin Shoppe, Inc.

Fiscal 2018 Compensation Program and Payouts

Summary

- The Compensation Committee confirmed the fiscal 2018 market position of our base salary, short-term cash incentive opportunity and long-term equity incentive awards to be generally at the median of the market.
- In fiscal 2017, our compensation program showed strong alignment between actual pay and performance. Therefore, consistent with fiscal 2017, in fiscal 2018 we continued to provide the same three basic elements of executive compensation, consisting of base salary, short-term incentive cash compensation and long-term equity compensation, with limited changes other than those business considerations and initiatives, as discussed below.
- Our top priorities continued to be focused on making financial investments in the business and to create operational improvements to our processes and procedures in order to create sustainable profitability. As a result, for fiscal 2018 the majority of the compensation programs.

objectives and pay practices aligned pay with actual Company financial and operational performance.

While we are focused on delivering on our initiatives and continue to make positive progress, our fiscal 2018 financial operating income results did not meet the threshold performance required to result in a payout under the short-term annual cash incentive program. Therefore, consistent with our pay-for-performance philosophy, no short-term incentive bonuses were paid to NEOs.

Pay Mix

Our executive pay programs place a significant portion of the executive's total compensation at risk based on performance. As was disclosed in the 2017 annual meeting proxy statement, the Compensation Committee chose to move from value-based dollar grants of LTI equity to flat share amounts equal to the same number of shares awarded in fiscal 2017. The Compensation Committee took this approach because it believes the current market value of the Tuesday Morning stock is not reflective of the value of the Company and that the awards will provide the potential for substantial future value to participants based on the Company's performance. As a result, the grant date fair values of the fiscal 2018 awards granted to participants were significantly less than the grant date fair values of the fiscal 2017 awards. The NEO total compensation pay-at-risk ratio is significant despite the change in LTI grant practice.

The charts below represent the targeted mix of pay between base salary, short-term and long-term incentives for our CEO and other NEOs for fiscal 2018:

Components of Compensation

Base salary

Upon hire, a Tuesday Morning executive's base salary level is determined using a combination of internal and external factors. Generally, an executive base salary offer is evaluated near the median value of the job in the market based on our peer group. This amount may be adjusted based on the executive's experience and based on the internal equity of peer jobs within the Company.

Since we keep a significant percentage of compensation at risk, subsequent base salary increases are generally based on annual market movement and individual performance. The Compensation Committee receives input from the Board of Directors regarding our CEO's performance, and the Committee receives input from the CEO on the other NEOs' performance.

Based upon the factors described above, at the annual merit review in September 2017, the Compensation Committee did not approve merit pay increases for the NEOs. This decision was primarily due to the financial performance of the Company during fiscal 2017.

Named Executive Officer	Fiscal 2017 Annual Base Salary	Fiscal 2018 Annual Base Salary	Percent Increase
Steven R. Becker	$ 717,500	$ 717,500	0%
Stacie R. Shirley	$ 404,167	$ 404,167	0%
Phillip D. Hixon	$ 306,000	$ 306,000	0%
Trent E. Taylor	$ 340,000	$ 350,000	2.9%*
Belinda J. Byrd-Rohleder	$ 270,000	$ 270,000	0%

* In March 2018, Mr. Taylor's salary increased from $340,000 to $350,000 in connection with his promotion to Chief Information Officer and Executive Vice President Supply Chain and Inventory Management in light of his increased scope of responsibility.

Annual Cash Incentive Plan

Our NEOs were not paid bonuses for fiscal 2018. The Annual Cash Incentive Program is designed to recognize short-term operational and financial performance. The individual target award opportunity levels are determined based on guidance from our independent compensation consultant's annual total compensation survey using external market data for comparable positions at our peer companies and in the market. Earned incentives are paid in cash at the end of the performance period. The executive must be employed by us at the time the awards are paid to earn an award.

Under the fiscal 2018 Annual Cash Incentive Plan, participants had the opportunity to earn a target bonus payout as a percentage of incentive-eligible base salary. For fiscal 2018, the Compensation Committee determined that each NEO's annual cash incentive payments would be based on achievement of adjusted operating income goals (80% of total) and achievement of certain strategic and personal objectives important for the Company to achieve its business plan (20% of total). Actual earned awards could range from 0% to a maximum of 200% of their target award opportunity. The Committee also established that all annual cash incentive payments would be subject to a minimum operating income performance hurdle. Executive payments are based on threshold, target, and maximum operating income targets as well as strategic and personal objective performance levels and are subject to reduction at the discretion of the Compensation Committee.

Weighting	Metric
80%	Operating Income, as adjusted
20%	Strategic and Individual Objectives

	Threshold Performance Level (in millions)	Target Performance Level (in millions)	Maximum Performance Level (in millions)
Operating Income, as adjusted	$ (17,100,000)	$ (10,800,000)	$ (7,300,000)

In addition to the Operating Income metric, the fiscal 2018 Annual Cash Incentive Plan included three strategic financial and operational goals that required support from all leadership team members in order to achieve the business plan. Specifically, the three strategic metrics were related to strategic real estate activities, managing supply chain costs such as distribution expense and domestic freight in/freight out and SG&A expense control. One to three individual metrics, specific to each executive, were also established to measure contributions on an individual level. Threshold and target levels of performance were created for each strategic and individual goal. The strategic and individual goals sum to 20% of the total cash incentive opportunity; however, such amounts were payable only if the minimum Operating Income threshold was satisfied.

The individual annual cash incentive level as a percent of annual base salary for the current NEOs for fiscal 2018 was:

	Fiscal 2018 Individual Annual Cash Incentive Level as a Percent of Base Salary		
Named Executive Officer	Threshold Performance Level	Target Performance Level	Maximum Performance Level
Steven R. Becker	25%	100%	200%
Stacie R. Shirley	15%	60%	120%
Phillip D. Hixon	15%	60%	120%
Trent E. Taylor	11.25%	45%	90%
Belinda J. Byrd-Rohleder	11.25%	45%	90%

In connection with his promotion to Chief Information Officer and Executive Vice President Supply Chain and Inventory Management in March 2018, Mr. Taylor's target level bonus opportunity was increased to 60% of his base salary and his maximum level bonus opportunity was increased to 120% of his base salary.

Performance under Fiscal 2018 Plan

The Company's operating loss for fiscal 2018 was $20,950,000. As a result, bonus dollars based on the company financial and strategic individual objectives were not funded and no short-term incentives were paid to NEOs for fiscal 2018 because threshold performance was not achieved.

	Fiscal 2018 Individual Annual Cash Incentive Level as a Percent of Base Salary			
Named Executive Officer	Threshold Performance Level	Target Performance Level	Maximum Performance Level	Actual Payout
Steven R. Becker	25%	100%	200%	0%
Stacie R. Shirley	15%	60%	120%	0%
Phillip D. Hixon	15%	60%	120%	0%
Trent E. Taylor	11.25%	45%	90%	0%
Belinda J. Byrd-Rohleder	11.25%	45%	90%	0%

Long-Term Equity Incentives

Our long-term equity incentive program ("LTI") is intended to align NEO interests with stockholders, drive decisions that result in sustained long-term financial and operational performance, and retain key executive talent. Our LTI Plan for fiscal 2018 included the following:

- September annual grants, consistent with our total compensation philosophy which allows the timing of the annual base salary review for merit adjustments, results from the annual incentive plan, and equity grants for the upcoming year to be communicated after the completion of our fiscal year.

- Beginning in fiscal 2017, the LTI equity program for senior leadership was enhanced to include performance-based restricted stock awards. The Compensation Committee remains committed to having a portion of the annual LTI equity grant for senior leadership tied to performance in addition to time-based awards. Therefore, the fiscal 2018 cycle of the LTI program for executives again included a 36-month performance cycle and is measured on total 3-year EBITDA results at the end of the performance cycle. In addition, there is a +3% Comp Sales modifier which may be applied at the end of the cycle. If overall Comp Sales results are less than 3%, there will be a 25% reduction in earned performance-based RSAs.

Under the fiscal 2018 LTI Program, the mix of time-based to performance-based restricted awards were:

Organization Level	Mix of Equity (NQSO to RSA)	Percent Performance Vesting	Percent Time Vesting
CFO	35%NQSO	30%	70%
	35% RSA		
	30% PRSAs		
EVP	35%NQSO	30%	70%
	35% RSA		
	30% PRSAs		
SVP	40%NQSO	25%	75%
	35% RSA		
	25% PRSAs		

Each executive's equity award target was determined by the individual NEO's executive level, external market competitiveness, as well as other factors as deemed appropriate by the Compensation Committee.

Full year award values are granted to new hires and those who are promoted into LTI-eligible jobs at the next regularly scheduled Compensation Committee meeting, and the subsequent annual award is prorated.

Awards to NEOs other than CEO

In September 2017, for the fiscal 2018 grant cycle, our NEOs (excluding the CEO) at an Executive Vice President-level received 35% of their long-term award value in time-based non-qualified stock options and 35% of their award value in time-based restricted shares, all of which vest ratably in four equal installments (25% per year) beginning on the first anniversary of the award date. In addition, they were granted 30% of their award value in performance-based restricted stock awards which will vest based on actual overall 3-year Company EBITDA, as adjusted, subject to reduction of payouts by the Compensation Committee at its discretion. Our Senior Vice President NEOs and their peers received 40% of their long-term award value in time-based non-qualified stock options and 35% of their award value in time-based restricted shares, all of which vest ratably in four equal installments (25% per year) beginning on the first anniversary of the award date. In addition, they were granted 25% of their award value in performance-based restricted stock awards which will vest based on overall 3-year Company EBITDA, as adjusted, subject to reduction of payouts by the Compensation Committee at its discretion.

The following table summarizes the grant date value of the fiscal 2018 LTI awards based on the market price of the Company's stock on the date of grant ($2.45 on September 19, 2017 and $3.95 on March 26, 2018) and the number of shares subject to awards granted to the NEOs (other than the

CEO who is discussed separately below) in fiscal 2018 (with performance-based restricted stock reflected at target level performance):

Executive	Date	Stock Options	Restricted Stock	Performance-based Restricted Stock	Fiscal 2018 Grant Date Award Value
Stacie R. Shirley	9/19/2017	37,258	15,648	13,413	$ 116,125
Phillip D. Hixon	9/19/2017	37,258	15,648	13,413	$ 116,125
Trent E. Taylor(1)	9/19/2017	17,742	6,520	4,657	$ 48,777
	3/26/2018	37,258	15,648	13,413	$ 190,391
Belinda J. Byrd-Rohleder(2)	9/19/2017	10,350	3,803	2,717	$ 28,454

(1) Annual award value granted on September 19, 2017 was based on Mr. Taylor's position as Chief Information Officer, Senior Vice President Inventory Management at time of grant. The subsequent grant on March 26, 2018 was made in recognition of promotion to Chief Information Officer and Executive Vice President Supply Chain and Inventory Management on March 1, 2018.

(2) Ms. Byrd-Rohleder's September 19, 2017 annual grant was prorated based on her promotion to SVP, General Merchandising Manager in fiscal 2017.

Other Compensation

Executive Retention Agreements

On May 1, 2018, the Compensation Committee, following consultation with its independent compensation consultant, approved entering into Retention Agreements with Stacie Shirley, Trent Taylor, Phillip D. Hixon, and Belinda Byrd-Rohleder taking into account among other things, the strength of this team and the significant benefits of continuity, the competitive pressures in the retail industry and competitive hiring pressures in the Dallas-Fort Worth area market. In exchange for his or her agreement to remain employed with us through December 31, 2019, we will pay the following retention amounts to each executive who entered into a Retention Agreement, less all applicable payroll and other tax withholdings (the "Retention Payment"), $800,000 to Ms. Shirley, $500,000 to each of Messrs. Taylor and Hixon and Ms. Byrd-Rohleder. Each Retention Payment will be paid in two installments: 30% of the Retention Payment will be payable on our first regularly scheduled payroll date following January 1, 2019 (the "First Retention Date"), and the remaining 70% of the Retention Payment will be payable on our first regularly scheduled payroll date following January 1, 2020 (the "Second Retention Date"), provided the executive has remained employed by us through the applicable retention date. The terms of the Retention Agreement are further described under "Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards in Fiscal 2018 Table Employment Agreements or Arrangements Other Employment Agreements Executive Retention Agreements."

Executive Severance Plan

On May 1, 2018, the Compensation Committee, following consultation with its independent compensation consultant, and taking into account amongst other things, the competitive pressures in the retail industry and competitive hiring pressures in the Dallas-Fort Worth market, approved the adoption of the Tuesday Morning Corporation Executive Severance Plan (the "Severance Plan"). The adoption of the Severance Plan is to provide financial and transitional assistance to certain executives of the Company with the title of Senior Vice President or higher, which include our NEOs other than our CEO (the "Eligible Executives"), following a termination of employment under certain circumstances. The terms of the Severance Plan are further described under the "Potential Payments Upon Termination or Change in Control" section below.

Other Compensation

With respect to other compensation, our NEOs are entitled to participate in all employee benefit plans, including our 401(k) plan, health and dental plan, life insurance and disability plans. We do not offer non-qualified benefits such as deferred compensation, corporate-owned life insurance or supplemental executive retirement programs to our NEOs. In addition, we provide minimal perquisites to our executives which are referenced in footnote (3) of the Summary Compensation Table below. The Compensation Committee believes that the perquisites provided to our executives are reasonable and consistent with its overall compensation program to better enable us to attract and retain superior employees for key positions. We do not provide tax gross-ups to our executive officers.

Chief Executive Officer Compensation

In December 2015, Mr. Steven R. Becker was named Chief Executive Officer. In connection with his appointment, he entered into an employment agreement with the Company, dated December 11, 2015 (the "Becker Employment Agreement"), the terms of which are described under "Narrative Disclosure to Summary Compensation Table" and "Potential Payments Upon Termination or Change in Control" sections below. On January 16, 2017, Mr. Becker was also appointed as the Company's President, though there were no changes in compensation or to his employment agreement as a result of this appointment.

On May 1, 2018, following consultation with the Company's compensation consultants, the Compensation Committee determined that certain of the terms of Mr. Becker's employment agreement were not in line with general market or peer group standards. Accordingly, in May 2018 the Compensation Committee approved an amendment (the "Amendment") to the Becker Employment Agreement. The Amendment modifies the cash severance amounts Mr. Becker is eligible to receive upon his termination of employment by us without cause or by him for good reason, as follows: instead of a prorated annual bonus for the fiscal year of his termination of employment, he is now eligible to receive an amount equal to one times his annual bonus for such year at the target performance level and, if the termination of employment occurs within 12 months following a "change in control" (as defined in the Becker Employment Agreement), he is now eligible to receive an amount equal to 1.5 times his target annual bonus, payable at the same time as bonuses would otherwise be payable under the Company's annual bonus plan.

Except as described above, the Becker Employment Agreement will continue in full force and effect in accordance with its terms and conditions. The terms of the Amendment are further described under the "Potential Payments Upon Termination or Change in Control" section below.

The following table summarizes Mr. Becker's compensation for fiscal 2018:

Compensation Component	**Fiscal 2018 Compensation**
Annual Base Salary	$717,500
Target Short-Term Incentive Opportunity	100% of Base Salary ($0 Payout for fiscal 2018)
Annual LTI Equity Award	Grant of shares equal to those awarded in fiscal 2017
50% Time-Based Non-Qualified Stock Options (September 19, 2017 Grant Date)	248,385
50% Performance-Based Restricted Stock Award (September 19, 2017 Grant Date)	104,322
"Stretch" Portion of Performance-Based Restricted Stock Award (for performance above target) (September 19, 2017 Grant Date)	104,322
Other Compensation	$12,156

Salary and Annual Cash Incentive In September 2017, the Compensation Committee determined that, based on Company performance during the fiscal 2017 measurement period, the CEO base salary would remain at the same level in fiscal 2018 as in fiscal 2017. Therefore, the Committee approved a base salary of $717,500 with a 100% short-term incentive target for fiscal 2018. The base salary and total target cash opportunity positioned Mr. Becker's cash compensation opportunity around the median of the proxy peer group and approximately at the 25th percentile of the broader retail industry.

Equity Awards At hire, the Compensation Committee determined that Mr. Becker's aggregate annual target LTI award value would be $1,400,000, with an additional stretch opportunity originally valued at $700,000 for performance above target level. Mr. Becker's $1,400,000 target award (based upon award value) consisted of 50% time-based non-qualified stock options and 50% performance-based non-qualified stock options. The Company maintained this LTI award level for fiscal 2017 based on the external compensation consultant's analysis of peer company and retail industry long-term incentive plan practices for the Chief Executive Officer.

For fiscal 2018, due to the depressed market value of the Company's common stock, and the Compensation Committee's decision to grant fiscal 2018 awards equal to the same number of shares granted in the prior year, the Committee approved a change in the mix of the CEO equity award from 50% performance-based options and 50% time-based non-qualified stock options to 50% performance-based restricted stock awards and 50% time-based non-qualified stock options. While the grant date value in fiscal years prior to fiscal year 2018 was market-based at a value of $1,400,000, these two changes resulted in a decreased market value of the awards granted to $555,092 in fiscal year 2018 as represented in the Summary Compensation Table. We continue to deliver 100% of the CEO's equity through performance contingent vehicles (stock options and performance-based restricted stock).

This resulted in an annual LTI equity award grant on September 19, 2017 consisting of 248,385 time-based non-qualified stock options which vest ratably in four equal installments (25% per year) beginning on the first anniversary of the grant, and a 104,322 performance share restricted stock award at target-level performance ("Target Level Restricted Stock Awards"). With respect to the performance-based restricted stock award included in the target award, Mr. Becker was also entitled to receive 104,322 shares of restricted stock, for performance exceeding target up to the maximum performance level ("Stretch Performance Restricted Stock Awards"). The inclusion of time-based and performance-based restrictions ensured that Mr. Becker's equity award would be "at risk", which promoted our desire to align CEO pay with superior Company performance and stockholder wealth accumulation.

Under the September 19, 2017 performance-based restricted stock award, the 36-month performance period began on July 1, 2017 and ends on June 30, 2020. As outlined below, Mr. Becker's Target Level Restricted Stock Awards and Stretch Performance Restricted Stock Awards are subject to vesting upon achievement of threshold, target, stretch and maximum specified EBITDA goals and the achievement of same store sales goals at the end of the measurement period. The performance options were designed to ensure that Mr. Becker's realizable compensation aligns with our long term performance and stockholder value.

The Target Level Restricted Stock Awards are subject to incremental vesting at the end of the performance period based upon achievement of threshold and target levels of EBITDA for the fiscal year ending June 30, 2020 and the Stretch Performance Restricted Stock Awards are subject to incremental vesting at the end of the performance period based upon achievement of stretch and maximum levels of EBITDA goals for the fiscal year ending June 30, 2020, and any vested amounts will be reduced by 25% if the Company's comparable store sales do not increase by a target average amount over the course of the performance period. The percentage of vested Target Level Restricted Stock Awards and Stretch Performance Restricted Stock Awards can be interpolated between the specified levels of performance required for vesting of each award.

Other Compensation With respect to other compensation, Mr. Becker is entitled to participate in all employee benefit plans, including our 401(k) plan, health and dental plan, life insurance and disability plans. In addition, his employment agreement provides for one comprehensive executive physical each calendar year and attorney fees incurred in connection with the review of the employment agreement. Any compensation paid to Mr. Becker is subject to recovery based on the Company's clawback policy.

In summary, CEO total compensation decreased by 38% from $2,100,796 in fiscal 2017 to $1,284,748 in fiscal 2018, as represented on the Summary Compensation Table.

Fiscal 2019 Compensation Highlights

The following is a brief summary of certain changes to the compensation of the NEOs for fiscal 2019 which is intended to provide additional information to stockholders in their review of our compensation program for fiscal 2018.

Summary

For fiscal 2019, the Compensation Committee continues to support a performance based compensation philosophy. The compensation programs approved by the Compensation Committee include the following elements:

Annual Base Salary. Generally, NEO compensation increases were within the merit budget guidelines of 2.5% approved for all employees. Based on the results of the annual Executive Compensation Assessment study provided by Willis Towers Watson, the base salary for the Senior Vice President, General Merchandising lags significantly behind the market base salary rates for similar positions at peer competitors. As a result, Ms. Byrd-Rohleder was given a market base salary adjustment, inclusive of merit, to $285,000.

Annual Cash Incentive Plan. For 2019, the Compensation Committee has increased the individual target incentive award opportunity for senior vice presidents by 5% from 45% of base salary to 50% of base salary. In addition, each NEO's annual cash incentive award opportunity will be based on achievement of operating income goals (80% of total) and the achievement of approved comparable sales growth percent (20% of total).

Equity Award Grants. Because the Company continues to believe that the current market value of our stock is undervalued, for the fiscal year 2019 grant, all participants, including Board members, will receive the same number of shares, based on organization level, which they received with the fiscal year 2017 and 2018 grants. Based on stock price performance during the vesting period, participants will have the opportunity to earn market compensation and potentially more if we deliver results. In order to continue to align executive rewards with stockholder value, the Compensation Committee will keep the performance-based equity portion of the LTI awards for the CEO and CFO and all Executive Vice Presidents and Senior Vice Presidents. All NEOs will have a performance-based LTI equity award opportunity measured over a 36-month performance period (with a stretch opportunity for performance above target level), tied to overall Company EBITDA as adjusted, subject to reduction of payouts by the Compensation Committee in its discretion.

Base salary

In August and September 2018, the Compensation Committee reviewed the salaries for the NEOs based on Company results, individual contributions, and the competitive market. As a result, for fiscal 2019, the base salary amounts for the NEOs are:

Named Executive Officer	Fiscal 2018 Base Salary	Fiscal 2019 Base Salary
Steven R. Becker	$ 717,500	$ 735,500
Stacie R. Shirley	$ 404,167	$ 415,000
Phillip D Hixon	$ 306,000	$ 315,000
Trent E. Taylor	$ 350,000	$ 360,000
Belinda J. Byrd-Rohleder	$ 270,000	$ 285,000

Annual Cash Incentive Plan

Under the fiscal 2019 Annual Cash Incentive Plan, participants will continue to have the opportunity to earn a target bonus payout as a percentage of incentive-eligible base salary. For fiscal 2019, the Compensation Committee determined that each NEO's annual cash incentive payments will be based on achievement of adjusted operating income goals (80% of total) and achievement of overall comparable sales growth (20% of total). Actual earned awards can range from 0% to a maximum of 200% of their target award opportunity. Executive payments will be based on threshold, target and maximum Operating Income and Comparable Sales Growth Percentage, and are subject to reduction at the discretion of the Compensation Committee.

Weighting	Metric
80%	Operating Income, as adjusted
20%	Comparable Sales Growth %

The individual annual cash incentive level as a percent of annual base salary for the NEOs for fiscal 2019 will be as follows:

	Fiscal 2019 Individual Annual Cash Incentive Level as a Percent of Base Salary		
Named Executive Officer	**Threshold Performance Level**	**Target Performance Level**	**Maximum Performance Level**
Steven R. Becker	25%	100%	200%
Stacie R. Shirley	15%	60%	120%
Phillip D. Hixon	15%	60%	120%
Trent E. Taylor	15%	60%	120%
Belinda J. Byrd-Rohleder	12.50%	50%	100%

Annual LTI Program Equity Award Grants

For fiscal 2019, the Compensation Committee granted the same number of shares for the CEO as the previous year. While these awards have a lesser grant date value, the Compensation Committee took this approach because it believed the current market value of the stock did not reflect the value of the Company and that the awards will provide the potential for a substantial increase in future value based on the Company's performance. The Committee expects to return to making grants with a higher grant date value in the near future.

In order to continue to align executive rewards with stockholder value the Compensation Committee maintained performance-based equity awards for the CFO, EVPs and SVPs. The performance-based equity award program better aligns each NEO's equity portfolio with that of the stockholders. For fiscal 2019, all NEOs have a performance-based LTI equity award opportunity measured over a 36-month performance period (with a stretch opportunity for performance above target level), tied to overall Company EBITDA as adjusted, subject to reduction of payouts by the Compensation Committee in its discretion.

The CEO was granted 50% performance-based restricted stock awards at target performance and 50% time-based non-qualified stock options. The other NEOs were granted a mix of performance shares, time-based non-qualified stock options and time-based stock grants. Each of the performance-based awards includes an additional stretch opportunity for performance above target level. The Compensation Committee approved the following equity grant guidelines for fiscal year 2019:

	Annual Share Grants		
Level	**Target**	**Stretch**	**Equity Mix at Target Performance**
CEO	248,385 NQSOs/104,322 PRSAs	104,322	50% NQSOs/50% Performance-Based RSAs
CFO	37,258 NQSOs/15,648 RSAs/13,413 PRSAs	13,413	35% NQSOs/35% RSAs/30% Performance-Based RSAs
EVP	37,258 NQSOs/15,648 RSAs/13,413 PRSAs	13,413	35% NQSOs/35% RSAs/30% Performance-Based RSAs
SVP	17,742 NQSOs/6,520 RSAs/4,657 PRSAs	4,657	40% NQSOs/35% RSAs/25% Performance-Based RSAs

Supplemental CEO Equity Award

In September 2018, the Compensation Committee approved a one-time supplemental long term incentive award to the CEO. The award was valued at $1.5 million on the date of grant and is comprised of a 50% one-time cash award rewarding significant stock price appreciation over a 36-month performance period and 50% time-based Restricted Stock Units (230,770 units) vesting over

4 years at 25% per year beginning on the first anniversary of the grant. The ultimate value of both components of this award to our CEO is directly connected to our stock price and provides further incentive to drive performance that directly impacts shareholder value creation. After carefully considering alternatives, and with the advice of its independent executive compensation consultant, the Compensation Committee selected this specific blend of long-term award because it properly reflected the Company's philosophy to ensure continuity of its leadership team and direct the talents of that team towards long-term shareholder value creation.

Additional Compensation Governance Policy and Practices

Compensation Program Risk

As part of its oversight of our executive pay programs, the Compensation Committee considers the impact of our compensation programs and the incentives created by the potential compensation rewards that it administers on our risk profile. In addition, we review all of our existing compensation policies and plans to determine whether they present a significant risk. Some of the factors included in this review are:

- Mix of fixed and variable compensation pay components.
- Use of performance-based metrics in short-term and long-term equity incentive plans.
- Rewards tied to our total results.
- Caps on potential compensation earnings.
- Stock vesting schedules.
- Adoption of stock ownership requirements.

Based on this review, we have concluded that our compensation policies and plans are not reasonably likely to have a material adverse effect on us.

Compensation Committee Interlocks and Insider Participation

None of the persons who served on our Compensation Committee during the last completed fiscal year (Sherry M. Smith, Frank M. Hamlin, Barry S. Gluck and Jimmie L. Wade): (i) was formerly an officer of the Company; (ii) during the last fiscal year, was an officer or employee of the Company; or (iii) had any relationship requiring disclosure under Item 404 of Regulation S-K. None of our executive officers served as a member of the compensation committee or similar committee or as a member of the board of directors of any other entity one of whose executive officers served on the Compensation Committee or as a member of the Board of Directors of the Company.

Stock Ownership Guidelines for Executives and Non-Employee Directors

The Compensation Committee adopted stock ownership requirements for our NEOs and non-employee directors in 2014. The stock ownership guidelines, which are aligned with typical market practice by level, are shown below and generally must be achieved within five years of becoming subject to the policy.

Organizational Level	Ownership Guideline as a Multiple of Base Salary/Annual Cash Retainer
Chief Executive Officer	5x
Executive Vice President	2x
Senior Vice President	1x
Non-Employee Directors	3x

For purposes of calculating stock ownership, the following sources may be included:

- shares of common stock owned outright by the non-employee director or officer, as well as stock owned by his or her immediate family members residing in the same household;
- shares of common stock held in trust for the benefit of the non-employee director or officer, as well as his or her family;
- unvested restricted stock or restricted stock units;
- if applicable, shares of common stock held pursuant to deferred compensation arrangements; and
- if applicable, shares purchased with amounts invested in the Company's retirement plans, including, without limitation, the 401(k) plan and any employee stock purchase plan.

Unexercised options and unearned performance shares are not counted toward stock ownership requirements.

Stock Retention/Holding Requirements

If an NEO or non-employee director has not met the stock ownership requirement, such NEO or non-employee director must retain 50% of the net shares (after cashless exercises of options and the payment of any applicable tax liability related to equity grants by the Company) of the vested long-term incentive plan shares or annual equity retainer awarded to the NEO or non-employee director. The NEO or non-employee director may sell Company stock acquired by exercising stock options to pay the exercise price of the stock option and may sell shares to pay any applicable tax liability related to equity grants by the Company.

Clawback Policy

The Company may recoup all or any portion of any shares or cash paid to a participant in connection with an award, in the event of a restatement of the Company's financial statements as set forth in the Company's clawback policy, approved by the Board.

Anti-Hedging and Anti-Pledging Policies

We have an anti-hedging policy that prohibits the NEOs, the Company's Board of Directors and other Company employees from hedging against a decrease in the value of the Company's stock. Under the policy, the NEOs are prohibited from purchasing any financial instruments designed to offset decreases in the market value of the Company's stock. During fiscal 2018, all NEOs were in compliance with this policy.

The Company has also adopted an anti-pledging policy that prohibits the NEOs, the Company's Board of Directors and other Company employees from holding the Company's stock in a margin account or otherwise pledging the Company's stock as collateral for a loan. None of the NEOs pledged any Company stock in fiscal 2018.

SUMMARY COMPENSATION TABLE

The table below summarizes the total compensation of each of the NEOs for the fiscal year ended June, 30, 2018, June 30, 2017 and June 30, 2016.

Name and Principal Position	Year	Salary ($)	Bonus ($)	(1)Stock Awards ($)	(1)Option Awards ($)	(2)Non-Equity Incentive Plan Compensation ($)	Change In Pension Value And Nonqualified Deferred Compensation Earnings ($)	(3)All Other Compensation ($)	Total ($)
Steven R. Becker(4)	2018	717,500		255,589	299,503			12,156	1,284,748
President and Chief Executive	2017	714,583			1,363,684			22,529	2,100,796
Officer	2016	471,698	147,671		1,376,565			15,684	2,011,618
Stacie R. Shirley(5)	2018	404,167		71,199	44,926			15,878	536,170
Executive Vice President,	2017	403,472		113,097	62,842			4,931	584,342
Chief Financial Officer and	2016	183,333	60,000	300,003	192,633			401	736,370
Treasurer									
Phillip D. Hixon	2018	306,000		71,199	44,926			15,091	437,216
Executive Vice President,	2017	305,000		194,999	108,346			11,947	620,292
Store Operations	2016	293,333		75,003	347,988			13,875	730,199
Trent E. Taylor(6)	2018	343,333		142,175	96,994			2,446	584,948
Chief Information Officer,	2017	327,460		24,753	17,026			2,074	371,313
Executive Vice President, Supply Chain									
and Inventory Management									
Belinda Byrd-Rohleder(7)	2018	270,000		15,974	12,480			1,456	299,910
Senior Vice President, General	2017	242,627	71,788	104,999	94,212			1,129	514,755
Merchandising Manager									

(1) These columns represent the grant date fair value of the respective equity awards computed in accordance with Financial Accounting Standards Board's Accounting Standards Codification Topic 718, Compensation Stock Compensation ("FASB ASC Topic 718"). The amounts reflect the probable outcome of performance conditions and market conditions as of the date of grant that affect the vesting of awards and exclude the impact of estimated forfeitures related to service-based vesting conditions. Refer to note (1)(l) and note (6) to the Company's consolidated financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2018 for additional information on the valuation assumptions used in the calculation of grant date fair value for stock and option awards included in the Summary Compensation Table above. For additional information regarding stock and option awards to the NEOs, refer to the "Grants of Plan-Based Awards in Fiscal 2018" table and "Outstanding Equity Awards at 2018 Fiscal Year-End" table. The actual value realized by any named executive officer from these awards may range from $0 to greater than the amounts reported, depending on the Company's performance, the market value of our common stock and the officer's number of additional years of service with the Company.

A portion of the amounts reflected under stock awards for fiscal 2018 for the NEOs include the value of performance-based restricted stock awards (assuming target level performance), with values of $255,589 for Mr. Becker, $32,862 for Ms. Shirley, $32,862 for Mr. Hixon, and $6,657 for Ms. Byrd-Rohleder. The value of these performance-based restricted awards at the grant date assuming the highest level of performance was achieved is $511,178 for Mr. Becker, $65,724 for Ms. Shirley, $65,724 for Mr. Hixon, $128,782 for Mr. Taylor and $13,311 for Ms. Byrd-Rohleder.

(2) Because the Company did not achieve the threshold performance levels for fiscal 2018, the NEOs did not receive cash incentive payments under the Annual Cash Incentive Plan for fiscal 2018. See "Executive Compensation Compensation Discussion and Analysis Fiscal 2018 Compensation Program and Payouts Components of Compensation Annual Cash Incentive Plan" above for more information regarding the Annual Cash Incentive Plan.

(3) The amounts set forth in this column reflect the following for the fiscal year ended June 30, 2018:

Name	Matching Contributions(3-a)	Life Insurance(3-b)	Long-Term Care	Total

			Benefits(3-c)	
Steven R. Becker	11,000	1,156		12,156
Stacie R. Shirley	14,842	1,036		15,878
Phillip D. Hixon	12,240	2,446	405	15,091
Trent E. Taylor		2,446		2,446
Belinda Byrd-Rohleder		1,456		1,456

(3-a) Matching contributions allocated by the Company to each of the NEOs pursuant to the Company's 401(k) Profit Sharing Plan available to all eligible employees.

(3-b) The value attributable to $300,000 of life insurance premiums (and imputed income) provided under the Company's health benefit program available to all eligible employees.

(3-c) The value attributable to Long-term Care benefit coverage provided under a grandfathered long-term care insurance program.

(4) Mr. Becker was appointed as our Chief Executive Officer in December 2015 and was appointed as President in January 2017.

(5) Ms. Shirley's appointment as our Executive Vice President, Chief Financial Officer and Treasurer was approved on December 17, 2015, and she began service in this position on January 18, 2016.

(6) Mr. Taylor was promoted to Chief Information Officer, Executive Vice President, Supply Chain and Inventory Management Officer on March 3, 2018. Prior to his promotion Mr. Taylor held the position of Senior Vice President, Chief Information and Inventory Management Officer from June 2017 to March 2018. Mr. Taylor was promoted to Senior Vice President, Chief Information and Supply Chain Officer in January 2017.

(7) Ms. Byrd-Rohleder was promoted to Senior Vice President, General Merchandising Manager in January 2017. Prior to her promotion to Senior Vice President, General Merchandising Manager, Ms. Byrd-Rohleder held the position of Vice President Division Merchandising Manager.

GRANTS OF PLAN-BASED AWARDS IN FISCAL 2018

The following table sets forth certain information with respect of the stock awards granted to the NEOs during the fiscal year ended June 30, 2018.

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards(2)			All Other Stock Awards Number of Shares of Stock or Units	All Other Option Awards		Grant Date Fair Value of Stock and Option Awards(3)
Name	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	#	Number of Securities Underlying Options #	Exercise or Base Price ($/Sh)	$
Steven R. Becker(4)		358,750	717,500	1,435,000							
	9/19/17				52,161	104,322	208,644				255,589
	9/19/17								248,385	2.45	299,503
Stacie R. Shirley(5)		121,250	242,500	485,000							
	9/19/17				6,707	13,413	26,826				32,862
	9/19/17							15,648			38,338
	9/19/17								37,258	2.45	44,926
Phillip D. Hixon(6)		91,800	183,600	367,200							
	9/19/17				6,707	13,413	26,826				32,862
	9/19/17							15,648			38,338
	9/19/17								37,258	2.45	44,926
Trent E. Taylor(7)		39,375	210,000	420,000							
	9/19/17				2,329	4,657	9,314				11,410
	3/26/18				6,707	13,413	26,826				52,981
	9/19/17							6,520			15,974
	3/26/18							15,648			61,810
	9/19/17								17,742	2.45	21,393
	3/26/18								37,258	3.95	75,600
Belinda Byrd-Rohleder(8)		30,375	121,500	243,000							
	9/19/17				1,359	2,717	5,433				6,657
	9/19/17							3,803			9,317
	9/19/17								10,350	2.45	12,480

(1) For Messrs. Becker, Hixon and Taylor and for Mses. Shirley and Byrd-Rohleder, represents a grant pursuant to the Company's Annual Cash Incentive Plan for fiscal 2018 if the applicable Company financial performance metric is satisfied. For fiscal 2018, the threshold performance level was not achieved and, therefore, no payments were made to any of the NEOs under the Company's Annual Cash Incentive Plan for fiscal 2018. See "Executive Compensation Compensation Discussion and Analysis Fiscal 2018 Compensation Program and Payouts Components of Compensation Annual Cash Incentive Plan" above for a description of the Annual Cash Incentive Plan for fiscal 2018.

(2) Includes performance-based stock restricted stock granted to Mr. Becker and the other NEOs. See "Executive Compensation Compensation Discussion and Analysis Fiscal 2018 Compensation Program and Payouts Components of Compensation Long-Term Equity Incentives" above for a description of these awards.

(3) This column represents the grant date fair value of the respective equity awards computed in accordance with FASB ASC Topic 718. The amounts shown reflect the probable outcome of performance conditions and market conditions of the grant date that affect the vesting of awards and exclude the impact of estimated forfeitures related to service-based vesting conditions. Refer to note (1)(l) and note (6) to the Company's consolidated financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2018 for additional information on the valuation assumptions used in the calculation of grant date fair value for stock and option awards. All equity awards granted during fiscal 2018 were granted pursuant to the Tuesday Morning Corporation 2014 Long-Term Incentive Plan as amended (the "2014 Plan"). Stock options granted under the 2014 Plan have an exercise price equal to the closing price on the date of grant.

(4) The equity awards granted to Mr. Becker under the 2014 Plan during fiscal 2018 consist of: (i) a grant of 104,322 shares of performance-based restricted stock (at target level performance) on September 19, 2017 which vest on June 30, 2020, subject to certain performance conditions and subject to the right to earn a minimum number of 52,161 shares for performance above threshold level, but below target level and a maximum of 208,644 shares if the maximum performance level is achieved; and (ii) a grant of stock options on September 19, 2017 to purchase 248,385 shares of the Company's Common Stock, which vest in four equal annual installments on September 19, 2018, September 19, 2019, September 19, 2020 and September 19, 2021.

(5) The equity awards granted to Ms. Shirley under the 2014 Plan during fiscal 2018 consist of: (i) a grant of 13,413 shares of performance-based restricted stock (at target level performance) on September 19, 2017 which vest on June 30, 2020, subject to certain performance conditions and subject to the right to earn a minimum number of 6,707 shares for performance above threshold level, but below target level and a maximum of 26,826 shares if the maximum performance level is achieved; (ii) a grant of 15,648 shares of restricted stock on September 19, 2017, which vest in four equal annual installments on September 19, 2018, September 19, 2019, September 19, 2020 and September 19, 2021; and (iii) a grant of stock options on September 19, 2017 to purchase 37,258 shares of the Company's Common Stock, which vest in four equal annual installments on September 19, 2018, September 19, 2019, September 19, 2020 and September 19, 2021.

(6) The equity awards granted to Mr. Hixon under the 2014 Plan during fiscal 2018 consist of: (i) a grant of 13,413 shares of performance-based restricted stock (at target level performance) on September 19, 2017 which vest on June 30, 2020, subject to certain performance conditions and subject to the right to earn a minimum number of 6,707 shares for performance above threshold level, but below target level and a maximum of 26,826 shares if the

maximum performance level is achieved; (ii) a grant of 15,648 shares of restricted stock on September 19, 2017, which vest in four equal annual installments on September 19, 2018, September 19, 2019, September 19, 2020 and September 19, 2021; and (iii) a grant of stock options on September 19, 2017 to purchase 37,258 shares of the Company's Common Stock, which vest in four equal annual installments on September 19, 2018, September 19, 2019, September 19, 2020 and September 19, 2021.

(7)

The equity awards granted to Mr. Taylor under the 2014 Plan during fiscal 2018 consist of: (i) a grant of 4,657 shares of performance-based restricted stock (at target level performance) on September 19, 2017 which vest on June 30, 2020, subject to certain performance conditions and subject to the right to earn a minimum number of 2,329 shares for performance above threshold level, but below target level and a maximum of 9,314 shares if the maximum performance level is achieved; (ii) a grant of 6,520 shares of restricted stock on September 19, 2017, which vest in four equal annual installments on September 19, 2018, September 19, 2019, September 19, 2020 and September 19, 2021; and (iii) a grant of stock options on September 19, 2017 to purchase 17,742 shares of the Company's Common Stock, which vest in four equal annual installments on September 19, 2018, September 19, 2019, September 19, 2020 and September 19, 2021. In addition, in connection with his appointment as Chief Information Officer, Executive Vice President, Supply Chain and Inventory Management Officer, Mr. Taylor received: (i) a grant of 13,413 shares of performance-based restricted stock (at target level performance) on March 26, 2018 which vest on June 30, 2020, subject to certain performance conditions and subject to the right to earn a minimum number of 6,707 shares for performance above threshold level, but below target level and a maximum of 26,826 shares if the maximum performance level is achieved; (ii) a grant of 15,648 shares of restricted stock on March 26, 2018, which vest in four equal annual installments on March 26, 2019, March 26, 2020, March 26, 2021 and March 26, 2022; and (iii) a grant of stock options on March 26, 2018 to purchase 37,258 shares of the Company's Common Stock, which vest in four equal annual installments on March 26, 2019, March 26, 2020, March 26, 2021 and March 26, 2022.

(8)

The equity awards granted to Ms. Byrd-Rohleder under the 2014 Plan during fiscal 2018 consist of: (i) a grant of 2,717 shares of performance-based restricted stock (at target level performance) on September 19, 2017 which vest on June 30, 2020, subject to certain performance conditions and subject to the right to earn a minimum number of 1,359 shares for performance above threshold level, but below target level and a maximum of 5,433 shares if the maximum performance level is achieved; (ii) a grant of 3,803 shares of restricted stock on September 19, 2017, which vest in four equal annual installments on September 19, 2018, September 19, 2019, September 19, 2020 and September 19, 2021; and (iii) a grant of stock options on September 19, 2017 to purchase 10,350 shares of the Company's Common Stock, which vest in four equal annual installments on September 19, 2018, September 19, 2019, September 19, 2020 and September 19, 2021.

NARRATIVE DISCLOSURE TO SUMMARY COMPENSATION TABLE AND GRANTS OF PLAN-BASED AWARDS IN FISCAL 2018 TABLE

Employment Agreements or Arrangements

Employment Agreement with Mr. Becker

In connection with Mr. Becker's appointment as Chief Executive Officer, the Company entered into an employment agreement with Mr. Becker on December 11, 2015. In the employment agreement, Mr. Becker agreed to serve as Chief Executive Officer for an initial term ending June 30, 2019. The initial term of employment automatically renews for successive one-year periods unless either party provides notice of non-renewal at least 90 days prior to the expiration of the then current employment term.

Under the employment agreement, Mr. Becker is entitled to, among other things, an annual base salary of not less than $700,000. The base salary payable to Mr. Becker is intended to provide a fixed component of compensation reflecting his skill set, experience, role and responsibilities. In addition, Mr. Becker also is eligible for annual equity grants under the 2014 Plan, with the actual amounts subject to the approval of the Board's Compensation Committee. See "Grants of Plan-Based Awards in Fiscal 2018" for additional information.

Mr. Becker also is eligible to earn an annual bonus each fiscal year under the Company's Annual Cash Incentive Plan with a threshold opportunity equal to 50% of his base salary, a target opportunity equal to 100% of his base salary, a stretch opportunity equal to 150% of his base salary and a maximum opportunity equal to 200% of his base salary. No payments were made to Mr. Becker under the Company's Annual Cash Incentive Plan for fiscal 2016, fiscal 2017 or fiscal 2018 as the threshold performance levels for each fiscal year were not achieved.

In the employment agreement, Mr. Becker has agreed to certain restrictive covenants during the employment term and for one year thereafter (or 18 months if Mr. Becker is terminated for any reason on or within 12 months following a change in control).

Under the employment agreement and the agreements governing Mr. Becker's equity awards, Mr. Becker is entitled to certain severance benefits as discussed below under "Potential Payments upon Termination or Change of Control."

Offer Letter to Ms. Shirley

In connection with Ms. Shirley's appointment as Executive Vice President, Chief Financial Officer and Treasurer, the Company agreed to certain employment arrangements with Ms. Shirley on December 17, 2015 pursuant to an offer letter from the Company. Under these employment arrangements, the Company agreed to provide Ms. Shirley with an annual base salary of $400,000, which is meant to provide a fixed component of compensation reflecting her skill set, experience, role and responsibilities. Ms. Shirley also is eligible to participate in the Company's Annual Cash Incentive Plan, under which she may earn a bonus equal to a specified percentage of her base salary as follows: 30% of her base salary at the threshold level of performance, 60% of her base salary at the target level of performance and 120% of her base salary at the maximum level of performance. For 2016, 2017 and 2018, the threshold performance level was not achieved and, therefore, no payments were made to Ms. Shirley under the Company's Annual Cash Incentive Plan for fiscal 2016, fiscal 2017 and fiscal 2018.

The Company also granted Ms. Shirley an initial annual grant of equity awards valued at $300,000, 50% of which were service-based non-qualified stock options and 50% of which were service-based restricted stock awards. Both the stock options and restricted stock awards vest ratably over four years, beginning with the first anniversary of the date of grant. Ms. Shirley is also entitled to standard employee benefits generally offered to the Company's employees. In the event of an involuntary termination of her employment, Ms. Shirley will be entitled to receive a severance payment equal to her annual base salary as well as health benefits paid by the Company for 12 months in exchange for an executed severance agreement and release of claims.

Other Employment Agreements

Executive Retention Agreements

On May 1, 2018, the Compensation Committee, following consultation with its independent compensation consultant, also approved Retention Agreements with Stacie Shirley, Trent Taylor, Phillip D. Hixon, and Belinda Byrd taking into account, among other things, the competitive pressures in the retail industry and competitive hiring pressures in the Dallas-Fort Worth area market. In exchange for each executive's agreement to remain employed with us through December 31, 2019, the Company agreed to pay the following retention amounts to each executive who entered into a Retention Agreement, less all applicable payroll and other tax withholdings (the "Retention Payment"): $800,000 to Ms. Shirley, and $500,000 to each of Messrs. Taylor and Hixon and Ms. Byrd-Rohleder. Each Retention Payment will be paid in two installments: 30% of the Retention Payment will be payable on our first regularly scheduled payroll date following January 1, 2019 (the "First Retention Date"), and the remaining 70% of the Retention Payment will be payable on our first regularly scheduled payroll date following January 1, 2020 (the "Second Retention Date"), provided the executive has remained employed by us through each applicable retention date. In addition, if a "change in control" (as defined in each of the Retention Agreements) of the Company occurs prior to the First Retention Date and the executive is employed by us on the closing date of the change in control and remains employed with the surviving entity through the First Retention Date, then the executive will receive the full amount (100%) of the Retention Payment on the First Retention Date. If a change in control of the Company occurs after the First Retention Date but prior to the Second Retention Date, and the executive is employed by us on the closing date of the change in control, then the executive will receive the full amount of any unpaid portion of the Retention Payment on the closing date of the change in control.

In the event an executive's employment is terminated by us without "cause," by an executive for "good reason" (but only if such termination of employment for good reason occurs within 18 months following the closing date of a change in control), or due to an executive's death or "total and permanent disability" (as each such term is defined in the Retention Agreements), then subject to the executive (or his or her estate) returning a validly executed, irrevocable release of claims to us within 30 days (or longer period if required by law) of the executive's employment termination date, the executive (or his or her estate) generally will receive the full amount of any unpaid portion of the Retention Payment on our next regularly scheduled payroll date following the date we receive the validly executed, irrevocable release of claims from the executive (or his or her estate). In addition, the entire Retention Payment will be forfeited by an executive if he or she (or his or her estate) refuses to sign or fails to timely return the release to us or if the executive violates any of the Retention Agreement's restrictive covenants, which include certain confidential information and non-disclosure obligations as well as non-disparagement, non-solicitation, and non-compete provisions. Under the terms of the Retention Agreements, in the event an executive receives payment of all or a portion of the Retention Payment and subsequently violates any of the Retention Agreement's restrictive covenants during the applicable restrictive covenant period (as set forth in the Retention Agreements), then the executive will forfeit any unpaid portion of the Retention Payment and must immediately repay the full amount of the Retention Payment previously paid to the executive, less any taxes originally withheld by us from the payment.

Other Agreements

Except as disclosed above, the Company is not a party to other employment agreements with any other current or former NEOs identified in the Summary Compensation Table other than at-will employment arrangements.

The Company has entered into indemnification agreements with each named executive officer, each in a form approved by the Board and previously disclosed by the Company. The Company has also entered into a form of the indemnification agreement with each of its directors. The Board has further authorized the Company to enter into the form of indemnification agreement with future directors and executive officers of the Company and other persons or categories of persons that may be designated from time to time by the Board. The indemnification agreement supplements and clarifies existing indemnification provisions of the Company's Certificate of Incorporation and Bylaws and, in general, provides for indemnification to the fullest extent permitted by law, subject to the terms and conditions provided in the indemnification agreement. The indemnification agreement also establishes processes and procedures for indemnification claims, advancement of expenses and costs and other determinations with respect to indemnification.

Awards under Equity Plans

The equity awards granted to the NEOs during fiscal 2018 included annual LTI.

With respect to the stock option awards and restricted stock awards described under "Grants of Plan-Based Awards in Fiscal 2018," such awards require that the named executive officer remain employed by the Company until the respective dates listed in the table (or provide consulting services if no longer employed by the Company) and, in the case of performance-based awards, that certain performance metrics be achieved, in each case, subject to acceleration of vesting in certain circumstances described below under "Potential Payments upon Termination or Change of Control."

Annual Cash Incentive Plan

See "Executive Compensation Compensation Discussion and Analysis Fiscal 2018 Compensation Program and Payouts Components of Compensation Annual Cash Incentive Plan" above for a description of the Annual Cash Incentive Plan for fiscal 2018 and the discussion of certain provisions of the Annual Cash Incentive Plan in "Potential Payments upon Termination or Change of Control" below.

OUTSTANDING EQUITY AWARDS AT FISCAL 2018 YEAR-END

The following table sets forth certain information with respect of the stock awards held by the NEOs as of June 30, 2018.

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options: Exercisable (#)	Number of Securities Underlying Unexercised Options: Unexercisable (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock that Have Not Vested (#)	Market Value of Shares or Units of Stock that Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights that Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights that Have Not Vested(1) ($)
Steven R. Becker	**10,000**			**4.22**	**7/1/22**				
	147,754	**147,754**		**5.64**	**2/2/26(2)**				
	62,097	**186,288**		**6.71**	**9/1/26(3)**				
		248,385		**2.45**	**9/19/27(4)**				
			295,508	**5.64**	**2/2/26(5)**				
			248,385	**6.71**	**9/1/26(6)**				
								104,322(7)	**318,182**
Stacie R. Shirley	**40,297**	**40,296**		**5.64**	**2/2/26(2)**				
	5,403	**16,207**		**6.71**	**9/1/26(3)**				
		37,258		**2.45**	**9/19/27(4)**				
						13,298(8)	**40,559**		
						6,807(9)	**20,761**		
						15,648(10)	**47,726**		
								7,779(11)	**23,726**
								13,413(7)	**40,910**
Phillip D. Hixon	**10,000**			**12.83**	**11/6/23**				
	4,674			**14.19**	**2/18/24**				
	10,535	**3,511**		**18.42**	**8/26/24(12)**				
	7,518	**2,506**		**19.36**	**2/10/25(13)**				
	42,722	**42,721**		**7.90**	**9/3/25(14)**				
	35,000			**5.95**	**11/2/25**				
	9,315	**27,943**		**6.71**	**9/1/26(3)**				
		37,258		**2.45**	**9/19/27(4)**				
						390(15)	**1,190**		
						278(16)	**848**		
						4,746(17)	**14,475**		
						11,736(9)	**35,795**		
						15,648(10)	**47,726**		
								13,413(11)	**40,910**
								13,413(7)	**40,910**
Trent E. Taylor	**11,308**	**11,307**		**6.58**	**5/16/26(18)**				
	1,464	**4,391**		**6.71**	**9/1/26(3)**				
		17,742		**2.45**	**9/19/27(4)**				
		37,258		**3.95**	**3/26/28(19)**				
						4,748(20)	**14,481**		
						1,614(9)	**4,923**		
						6,520(10)	**19,886**		
						15,648(21)	**47,726**		
								1,537(11)	**4,688**
								4,657(7)	**14,204**
								13,413(7)	**40,910**
Belinda Byrd-Rohleder	**5,696**	**5,696**		**7.90**	**9/3/25(14)**				

	15,000			**5.95**	**11/2/25**				
	2,662	**7,983**		**6.71**	**9/1/26(3)**				
	7,535	**22,604**		**3.95**	**2/23/27(22)**				
		10,350		**2.45**	**9/19/27(4)**				
						1,898(17)	**5,789**		
						3,353(9)	**10,227**		
						8,307(23)	**25,336**		
						3,803(10)	**11,599**		
								7,911(11)	**24,129**
								2,717(7)	**8,287**

(1) Market value was determined using the closing price of Common Stock of $3.05, which was the closing price as reported on NASDAQ on June 29, 2018.

(2)

These options vest in four equal annual installments, with 50% having vested through February 2, 2018, and the remaining portion to vest in equal portions on February 2, 2019 and February 2, 2020.

(3)

These options vest in four equal annual installments, with 25% having vested as of September 1, 2017 and 25% on September 1, 2018, and the remaining portion to vest in equal portions on September 1, 2019 and September 1, 2020

(4)

These options vest in four equal annual installments, with 25% having vested as of September 19, 2018, and the remaining portion to vest in equal portions on September 19, 2019, September 19, 2020 and September 19, 2021.

(5)

These options, referred to in this Proxy Statement as Target Options, were granted on February 2, 2016 and vest on June 30, 2019, subject to certain performance conditions. Does not include an additional 295,508 Stretch Options because the threshold level performance for such Stretch Options has not been achieved during the performance period.

(6)

These options, referred to in this Proxy Statement as Target Options, were granted on September 1, 2016 and vest on June 30, 2019, subject to certain performance conditions. This figure does not include an additional 248,835 Stretch Options because the threshold level performance for such Stretch Options has not been achieved during the performance period.

(7)

These performance-based restricted stock shares vest on June 30, 2020, subject to certain performance conditions. These figures do not include additional shares that would vest if maximum performance levels are achieved because the threshold level performance has not been achieved during the performance period. See "Grants of Plan-Based Awards" above for additional information.

(8)

These restricted stock shares granted on February 2, 2016 vest in four equal annual installments, with 50% having vested through February 2, 2018, and the remaining portion to vest in equal portions on February 2, 2019 and February 2, 2020.

(9)

These restricted stock shares vest in four equal annual installments, with 25% having vested on September 1, 2017 and 25% having vested on September 1, 2018, and the remaining portion to vest in equal portions on September 1, 2019 and September 1, 2020.

(10)

These restricted stock shares will vest in four equal annual installments, with 25% having vested on September 19, 2018, and the remaining portion to vest in equal portions on September 19, 2019, September 19, 2020 and September 19, 2021.

(11)

These performance-based restricted stock shares vest on June 30, 2019, subject to certain performance conditions. These figures do not include additional shares (7,779 for Ms. Shirley, 13,413 for Mr. Hixon, 1,537 for Mr. Taylor and 7,911 for Ms. Byrd-Rohleder) that would vest if maximum performance levels are achieved because the threshold level performance has not been achieved during the performance period.

(12)

These options vested in four equal annual installments, with 75% having vested through August 28, 2017 and the remaining 25% having vested on August 28, 2018.

(13)

These options vest in four equal annual installments, with 75% having vested through February 10, 2018, and the remaining portion to vest on February 10, 2019.

(14)

These options vest in four equal annual installments, with 50% having vested through September 3, 2017, an additional 25% having vested on September 3, 2018, and the remaining portion vesting on September 3, 2019.

(15)

These restricted stock shares granted on August 26, 2014 vest in four equal annual installments, with 75% having vested through August 26, 2017, and the remaining portion having vested on August 26, 2018.

(16)

These restricted stock shares granted on February 10, 2015, with 75% having vested through February 10, 2018, and the remaining portion to vest on February 19, 2019.

(17)

These restricted stock shares granted on September 3, 2015, with 50% having vested through September 30, 2017, an additional 25% having vested on September 3, 2018, and the remaining portion to vest on September 3, 2019.

(18)

These options vest in four equal annual installments, with 50% having vested through May 16, 2018, and the remaining portion to vest May 16, 2019 and May 16, 2020.

(19) These options will vest in four equal annual installments on March 26, 2019, March 26, 2020, March 26, 2021 and March 26, 2022.

(20) These restricted stock shares were granted on May 16, 2016, with 50% having vested through May 16, 2018, and the remaining portion to vest in equal portions on May 16, 2019 and May 16, 2020.

(21) These restricted stock shares were granted on March 26, 2018 and will vest in four equal annual installments on March 26, 2019, March 26, 2020, March 26, 2021 and March 26, 2022.

(22) These options vest in four equal annual installments, with 25% having vested on February 23, 2018, and the remaining portion to vest on February 23, 2019, February 23, 2020, and February 23, 2021.

(23) These restricted stock shares granted on February 23, 2017, of which 25% of the shares having vested through February 23, 2018 and the remaining portion to vest on February 23, 2019, February 23, 2020 and February 23, 2021.

OPTION EXERCISES AND STOCK VESTED IN FISCAL 2018

The following table contains information regarding the value received by the NEOs upon option award exercises and restricted stock award vesting during the fiscal year ended June 30, 2018.

	Stock Option		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise(1) ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting(1) ($)
Steven R. Becker				
Stacie R. Shirley			35,514	104,727
Phillip D. Hixon			7,082	15,777
Trent E. Taylor			2,913	7,834
Belinda Byrd-Rohleder			4,836	12,993

(1) Based on the closing price of our Common Stock on the applicable vesting date.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE OF CONTROL

The tables below reflect the amount of compensation payable to each of the NEOs of the Company in the event of termination of such executive's employment or upon a change of control of the Company. The amount of compensation payable to each named executive officer upon voluntary termination, involuntary termination without cause, involuntary termination with cause, retirement, in the event of the executive's death or disability and in connection with a change of control is shown below. Amounts for awards granted pursuant to the Tuesday Morning Corporation 2008 Long-Term Equity Incentive Plan (the "2008 Plan") and the 2014 Plan are calculated for purposes of the tables below, in the case of restricted stock, based on the closing price of Common Stock as of June 30, 2018 ($3.05).

Payments Made Upon Termination

Regardless of the manner in which a named executive officer's employment terminates, he or she is generally entitled to receive amounts earned during his or her term of employment. Such amounts include:

- any accrued, unpaid base salary through the date of termination, any payments or benefits under employee benefit plans in which the executive participates on the date of termination and any unreimbursed expenses; and

- awards granted pursuant to the 2008 Plan and the 2014 Plan, to the extent vested or exercisable, except in the case of certain terminations for "cause" as discussed below.

Long Term Incentive Plans

Under the terms of the 2008 Plan and the 2014 Plan (and any related award agreements thereunder), upon an executive's voluntary termination or involuntary termination without "cause," all of the executive's options that were exercisable on the date of such termination remain exercisable for a period of 90 days after the date of such termination (but no later than the original expiration date of the options); provided that the executive does not violate any applicable non-compete provisions pursuant to such executive's employment arrangement during such period, subject to certain exceptions, and all options that were not exercisable on such date will be forfeited.

Under the terms of the 2008 Plan and the 2014 Plan (and any related award agreements thereunder), upon an executive's voluntary termination or involuntary termination for any reason (other than death, disability, retirement or in connection with a "change in control"), all unvested shares of restricted stock will be forfeited, provided that certain awards may continue to vest if the former employee serves as a director or consultant to the Company.

The award agreements under the 2008 Plan (for awards granted before February 18, 2014) generally define "cause" to mean (i) the commission of a felony or a crime involving moral turpitude or any other act or omission involving dishonesty, disloyalty or fraud, (ii) conduct tending to bring the Company into public disgrace, (iii) substantial and repeated failure to perform duties properly assigned to the executive, (iv) gross negligence or willful misconduct, or (v) breach of duty of loyalty or other act of fraud or dishonesty. During fiscal 2014, we adopted amended forms of award agreements for awards under the 2008 Plan, effective for awards granted under the plan on or after such date, under which "cause" is defined to mean (i) commission of fraud, embezzlement, theft, felony or an act of dishonesty in the course of the executive's employment which damaged the Company, (ii) disclosure of trade secrets of the Company, or (iii) violation the terms of any non-competition, non-disclosure or similar agreement to which the executive is a party. Award agreements under the 2014 Plan define "cause" to mean the same as such term is defined under the amended forms of award agreements for the 2008 Plan.

The 2008 Plan also defines "cause" more broadly with respect to general provisions relating to forfeiture or recoupment of awards, whether exercised or unexercised or vested or unvested. If the committee administering the 2008 Plan finds that a holder of an award granted under the 2008 Plan, (i) committed fraud, embezzlement, theft, felony, a crime involving moral turpitude or an act of dishonesty in the course of his or her employment which damaged the Company, (ii) disclosed trade secrets of the Company, (iii) violated the terms of any non-competition, non-disclosure or similar agreement, (iv) knowingly caused or assisted in causing the publicly released financial statements of the Company to be misstated, (v) substantially and repeatedly failed to perform the duties of such executive's office, (vi) committed gross negligence or willful misconduct, (vii) materially breached such executive's employment agreement, (viii) failed to correct or otherwise rectify any failure to comply with reasonable instruction from the Company that could materially or adversely affect the Company, (ix) willfully engaged in conduct materially injurious to the Company, (x) harassed or discriminated against the Company's employees, customers or vendors, (xi) misappropriated funds or assets, (xii) willfully violated Company policies or standards of business conduct, (xiii) failed to maintain specified immigration status, or (xiv) knowingly caused or assisted in causing the Company to engage in criminal misconduct, then some or all awards awarded to such holder, and all net proceeds realized with respect to any such awards, will be forfeited to the Company as determined by the committee. The committee may also specify in an award agreement that the rights, payments, and benefits of a holder of an award granted under the 2008 Plan with respect to such award will be subject to reduction, cancellation, forfeiture, or recoupment upon the occurrence of certain specified events, in addition to any otherwise applicable vesting or performance conditions of an award.

Under the terms of the 2008 Plan and the 2014 Plan (and any related award agreements thereunder), upon an executive's involuntary termination for "cause," all of the executive's options will be forfeited immediately upon termination, whether or not then exercisable.

Annual Cash Incentive Plan

Under the terms of the Annual Cash Incentive Plan, if a participating executive's employment is terminated voluntarily for any reason, or is terminated by the Company for any reason other than death or disability, during a performance period, the participating executive will immediately forfeit any right to receive any incentive cash bonus for such performance period. If the termination occurs after the end of the performance period, but prior to the date of actual payment for such performance period, the committee administering the Annual Cash Incentive Plan may pay the terminated executive an amount not to exceed the amount of incentive cash bonus earned for such performance period.

Severance Plan

Pursuant to the Severance Plan, in the event an Eligible Executive's employment is terminated by us without "cause" (as each such term is defined in the Severance Plan) at any time during the Severance Plan's term or by an Eligible Executive for "good reason", but only if such termination by the Eligible Executive for good reason occurs within 18 months following the closing date of a change in control, the Eligible Executive will be eligible to receive the following:

> Severance Benefits: If an Eligible Executive is a senior vice president, he or she will be eligible to receive severance payments of an amount equal to one times his or her annual base salary in effect immediately prior to such Eligible Executive's termination of employment, payable in equal installments in accordance with our regular payroll procedures for 12 months. If an Eligible Executive is an executive officer higher than a senior vice president, he or she will instead be eligible to receive severance payments of an amount equal to 1.5 times his or her annual base salary in effect immediately prior to such Eligible Executive's termination of employment, payable in equal installments in accordance with our regular payroll procedures for 18 months. The amount of an Eligible Executive's annual base salary used to determine his or

her severance amounts will not include any bonuses or financial perquisites. Generally, severance payments will commence on our next regularly scheduled payroll date immediately following the date we receive a validly executed, irrevocable release of claims from the Eligible Executive.

In the event the Eligible Executive's termination of employment occurs within 18 months following a change in control (the "Change in Control Period"), the Eligible Executive's severance payments will be increased as follows: if an Eligible Executive is a senior vice president, his or her aggregate severance payments will be equal to 1.5 times such Eligible Executive's annual base salary, and if an Eligible Executive is an executive officer higher than a senior vice president, his or her aggregate severance payments will be equal to two times such Eligible Executive's annual base salary, in each case, as in effect immediately prior to his or her termination of employment, excluding all bonuses and financial perquisites, and payable in a lump sum on the first date his or her severance payments would have commenced had the termination of employment not occurred during the Change in Control Period as described above.

Benefits Continuation Payments: Provided the Eligible Executive timely elects to continue in our group health plan pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), monthly payments equal to the employer-portion of health insurance premiums for our active employees for up to the number of months the Eligible Executive's severance benefits described above are payable (or, if earlier, until such Eligible Executive's COBRA coverage terminates for any reason), and provided further that the Eligible Executive timely returns a validly executed, irrevocable release of claims as described above. Benefits continuation payments will commence on the same date as the severance benefits described above commence.

Outplacement Benefits: Outplacement services provided by an outplacement firm selected by us for up to six months, provided the Eligible Executive timely returns a validly executed, irrevocable release of claims as described above.

No benefits will be payable pursuant to the Severance Plan to an Eligible Executive for any termination of his or her employment other than by us without cause or by the Eligible Executive for good reason during the Change in Control Period (e.g., termination due to the Eligible Executive's death, disability, voluntary resignation without good reason, retirement, etc.). In addition, if an Eligible Executive is party to a severance agreement with us on the date his or her employment with us ends, the Eligible Executive will not be eligible for benefits under the Severance Plan if such benefits would be duplicative of any benefits he or she is eligible to receive pursuant to the terms of his or her severance agreement, and an Eligible Executive will cease receiving any benefits under the Severance Plan if he or she fails to comply with any written agreement in effect between the Eligible Executive and us (or any of our subsidiaries) that contains non-competition, non-solicitation, or confidentiality provisions.

Executive Retention Agreements

The Company has entered into Retention Agreements with Stacie Shirley, Trent Taylor, Phillip D. Hixon, and Belinda Byrd-Rohleder providing for retention payments in exchange for each executive's agreement to remain employed with the Company through December 31, 2019. For additional information regarding these Retention Agreements, including payments required in the event an executive's employment is terminated by us without "cause", by an executive for "good reason" (but only if such termination of employment for good reason occurs within 18 months following the closing date of a change in control), or due to an executive's death or "total and permanent disability" (as each such term is defined in the Retention Agreements), see "Narrative Disclosure to Summary

Compensation Table and Grants of Plan-Based Awards in Fiscal 2018 Table Employment Agreements or Arrangements Other Employment Agreements Executive Retention Agreements."

Payments Made Upon Retirement

In the event of the retirement of a named executive officer (in addition to the items identified above under "Payments Made Upon Termination"), under the terms of the 2008 Plan and the 2014 Plan, all of the executive's options that were exercisable on the date of such retirement remain exercisable for a period of up to three years after the date of such retirement (but no later than the original expiration date of the options); provided that the executive does not compete against the Company (as defined in the applicable plan or award agreement) during such period, subject to certain exceptions, and all options that were not exercisable on such date will be forfeited, provided that certain awards may continue to vest if the former executive serves as a director or consultant to the Company. Upon the executive's retirement, all unvested shares of restricted stock awarded under the 2008 Plan and the 2014 Plan will be forfeited, provided that certain awards may continue to vest if the former executive serves as a director or consultant to the Company. The 2008 Plan generally defines "retirement" to mean the same as such term is defined under any Company pension plan or retirement program or as otherwise approved by the committee administering the plan. The 2014 Plan defines "retirement" to mean an executive's termination of service solely due to retirement upon or after the attainment of age 65.

No benefits will be payable pursuant to the Severance Plan to an Eligible Executive for any termination due retirement, and no payments will be required under the Retention Agreements due to retirement.

Payments Made Upon Death or Disability

In the event of the death or disability of a named executive officer (in addition to the items identified above under "Payments Made Upon Termination") the named executive officer would receive payments under the Company's disability or life insurance plan, as appropriate. Under the terms of the 2008 Plan (and related award agreements thereunder) (for awards granted before February 18, 2014), upon an executive's death or disability, all of the executive's options that were exercisable on the date of death or disability remain exercisable for a period of one year after such date (but no later than the original expiration date of the options), all options that were not exercisable on such date will be forfeited and all unvested shares of restricted stock will vest. During fiscal 2014, we adopted amended forms of award agreements for awards under the 2008 Plan, effective for awards granted under the plans on or after such date, under which, upon an executive's death or disability, all of the executive's unvested options will vest and become exercisable on the date of death or disability, all options will remain exercisable for a period of one year after such date (but no later than the original expiration date of the options), and all unvested shares of restricted stock will vest. Award agreements for awards under the 2014 Plan include provisions consistent with those in the amended forms of award agreements under the 2008 Plan with respect to accelerated vesting of equity awards upon an executive's death or disability.

The 2008 Plan defines "disability" to mean, (i) in the case of an award that is exempt from Code Section 409A, a disability that would entitle the executive to disability payments under any Company disability plan, or in the absence of such plan (or coverage thereunder), a permanent and total disability as defined in Code Section 22(e)(3), and (ii) in the case of an award subject to Code Section 409A, (A) the executive is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (B) the executive is, by reason of any medically determinable physical or mental impairment that can expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under a Company accident and health plan. The 2014 Plan defines "disability" to mean, (i) in the case of an award (other than an incentive stock option) that is exempt from Code Section 409A, a disability that would entitle the executive to disability payments under any Company disability plan or insurance policy, or in the absence of such plan or policy (or eligibility thereunder), that the executive, because of a physical or mental condition resulting from bodily injury, disease or mental disorder, is unable to perform his or her duties of employment for a period of six continuous months, as determined in good faith by the committee administering the plan, based upon medical reports or other evidence satisfactory to such committee, (ii) in the case of an incentive stock option, a total and permanent disability as defined under the rules governing such awards under the Code, and (iii) in the case of an award subject to Code Section 409A, a disability as defined under Code Section 409A and the regulations or other guidance issued thereunder (in lieu of the definition of disability for awards exempt from Code Section 409A to the extent necessary to comply with Code Section 409A).

Annual Cash Incentive Plan

Under the terms of the Annual Cash Incentive Plan, if a participating executive's employment is terminated due to death or disability during a performance period, the committee administering the Annual Cash Incentive Plan may, in its discretion, pay the executive a pro rata portion of incentive cash bonus that would have been earned by the executive, if the executive had remained employed, based on the number of days worked during the performance period. The Annual Cash Incentive Plan defines "disability" to mean any disability that would entitle the executive to disability payments under the Company's disability plan or insurance policy; or, if no such plan or policy is then in existence or if the executive is not entitled to participate in such plan or policy, a physical or mental condition resulting from bodily injury, disease or mental disorder that prevents the executive from performing his or her duties for a period of six continuous months, as determined in good faith by the committee administering the Annual Cash Incentive Plan, based upon medical reports or other evidence satisfactory to the committee. However, if the incentive cash bonus award is subject to Code Section 409A, then the term "disability" will have the meaning given such term under Code Section 409A.

Executive Severance Plan

Under the terms of the Severance Plan, no benefits will be payable if the participant's employment is terminated due to death or disability.

Retention Agreements

See "Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards in Fiscal 2018 Table Employment Agreements or Arrangements Other Employment Agreements Executive Retention Agreements" above for information regarding payments under the Retention Agreements if an executive's employment is terminated due to death or "total and permanent disability" (as such term is defined in the Retention Agreements).

Payments Made Upon Change of Control

Long Term Incentive Plans

Under the terms of all awards issued under the 2008 Plan, and all awards issued under the 2014 Plan prior to November 16, 2016, immediately prior to a change of control, all stock options and stock awards held by the named executive officer automatically vest and become exercisable.

Generally, a change of control is deemed to occur under the 2008 Plan and the 2014 Plan if:

(a) any "person" or "group" other than an "exempt person" (as defined in such plan), is or becomes the "beneficial owner" (as such terms are defined in the Exchange Act and the rules thereunder), of securities of the Company representing 50% or more of the combined voting power of the Company's then outstanding securities; or

(b) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation where the Company is the surviving entity or which do not affect the Company's corporate existence and, in the case of awards under the 2008 Plan and the 2014 Plan, the transaction is actually consummated; or

(c) the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all the Company's assets, other than a sale to an exempt person.

In addition, a change of control is deemed to occur under the 2008 Plan and the 2014 Plan if the individuals who are the incumbent directors (as determined under such plan) cease for any reason to constitute a majority of the members of the Board.

On November 16, 2016, the 2014 Plan was amended to provide that all future awards will not automatically vest upon a change of control. All future awards will vest if a participant's employment is terminated without "cause" or the participant terminates his or her employment for "good reason" at any time within the two year period following the change of control.

Severance Plan

See " Payments Made Upon Termination Severance Plan" above for information regarding severance payments required under the Severance Plan in the event an Eligible Executive's employment is terminated by the Company without "cause" at any time during the Severance Plan's term or by an Eligible Executive for "good reason", but only if such termination by the Eligible Executive for good reason occurs within 18 months following the closing date of a "change in control" (as each such term is defined in the Severance Plan).

Retention Agreements

See "Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards in Fiscal 2018 Table Employment Agreements or Arrangements Other Employment Agreements Executive Retention Agreements" above for information regarding payments under the Retention Agreements if a "change in control" (as defined in the Retention Agreements) occurs prior to the payment of the full amount of the applicable Retention Payment.

Steven R. Becker

Under the employment agreement, in the event Mr. Becker terminates his employment without "good reason," or the Company terminates his employment for "cause," Mr. Becker would only be entitled to the compensation identified above under "Payments Made Upon Termination."

In the event Mr. Becker terminates his employment with "good reason," or the Company terminates his employment without "cause," prior to a "change in control" or more than 12 months thereafter (in addition to the items identified above under "Payments Made Upon Termination"), Mr. Becker would be entitled to: (i) 12 months base salary, paid in installments; (ii) his incentive cash bonus earned under the Company's Annual Cash Incentive Plan for the fiscal year prior to the year of termination but not yet paid as of the date of termination; and (iii) an amount equal to one times his annual bonus for such year at the target performance level for the fiscal year in which the termination occurred, if he had remained employed during the entire performance period, payable at the same time as the bonus would otherwise be payable. Mr. Becker would also forfeit any unvested options (including any options included in the initial grant under the agreement), and any vested options would remain exercisable until the earlier of (x) one year following his termination of all service with the Company (both as an employee and member of the Board) (or, if later, one year from the end of the performance period for the performance-based options in the initial grant under the agreement) or (y) expiration of the option's term.

In the event Mr. Becker terminates his employment with "good reason," or the Company terminates his employment without "cause," on or within 12 months after a "change in control" (in addition to the items identified above under "Payments Made Upon Termination"), Mr. Becker would be entitled to: (i) 18 months base salary, paid in installments; (ii) his incentive cash bonus earned under the Company's Annual Cash Incentive Plan for the fiscal year prior to the year of termination but not yet paid as of the date of termination; and (iii) 1.5 times his target annual bonus payable at the same time as the bonus would otherwise be payable. In addition, all unvested time-based options held by Mr. Becker (including any time-based options included in the initial grant under the agreement) would immediately vest and all unvested performance-based options held by Mr. Becker (including any performance-based options included in the initial grant under the agreement, if still outstanding) would remain eligible to vest based upon achievement of performance goals in accordance with the terms of the applicable award agreement (pro-rated based on actual days of employment (provided that for Mr. Becker's initial grant of performance-based options under the agreement, if termination of employment occurs after December 11, 2018, no proration would occur)). All vested options will have the same post-termination exercise period as described in the immediately preceding paragraph.

In the event of Mr. Becker's termination upon the Company's non-renewal of the employment agreement, such termination would be treated as a termination without "cause" other than in connection with a "change in control" and Mr. Becker would be entitled to the same benefits and payments described above with respect to his termination without "cause."

In the employment agreement, Mr. Becker has agreed to certain restrictive covenants during the employment term and for one year thereafter (or 18 months if Mr. Becker is terminated for any reason on or within 12 months following a "change in control").

The employment agreement defines "cause" to mean: (i) an act of theft, embezzlement, fraud or dishonesty; (ii) any willful misconduct or gross negligence; (iii) any violation of fiduciary duties; (iv) conviction of, or pleading nolo contendere or guilty to, a felony or misdemeanor that may cause damage to the Company or its reputation; (v) an uncured, material violation of the Company's written policies, standards or guidelines; (vi) an uncured, willful failure or refusal to satisfactorily perform duties or responsibilities; and (vii) an uncured, material breach by Mr. Becker of the employment agreement or any other agreement with the Company. The employment agreement defines "good reason" to mean: (w) a material reduction by the Company of Mr. Becker's base salary or target bonus opportunity as a percentage of his base salary, without his consent; (x) an uncured, material breach by the Company of the employment agreement; (y) the Company's relocation of its principal executive offices, or requirement that Mr. Becker have his principal work location change which results in his principal work location being changed to a location in excess of 50 miles from the location of the Company's current principal executive offices, in each case, without Mr. Becker's consent; or (z) the failure by a successor to all or substantially all of the Company's assets to assume the employment agreement either contractually or by operation of law. The employment agreement defines a "change in control" to mean a change in control under the 2014 Plan.

The following table shows the potential payments upon termination or change of control of the Company for Mr. Becker, as of the fiscal year ended June 30, 2018.

Executive Benefits and Payments	Voluntary Termination Without Good Reason or Involuntary Termination with Cause $	Involuntary Termination With Good Reason or Involuntary Termination Without Cause Without Change in Control $	Voluntary Termination With Good Reason or Involuntary Termination Without Cause With Change in Control $	Disability $	Death $
Short-Term Incentive:					
Annual Cash Incentive		717,500	1,076,250		
Long-Term Incentive:					
Stock Options			149,031(1)	149,031(1)	149,031(1)
Restricted Stock Awards			636,364(2)	636,364(2)	636,364(2)
Benefits & Perquisites:					
Health & Welfare Benefits					
Life Insurance Proceeds					300,000
Cash Severance		717,500	1,076,250		
Total		1,435,000	2,937,895	785,395	1,085,395

(1) Reflects the accelerated vesting of stock options with exercise prices below the market price of the Company's common stock as of June 30, 2018.

(2) Assumes that performance conditions for awards are met following termination.

Stacie R. Shirley

The following table shows the potential payments upon termination or change of control of the Company for Ms. Shirley as of June 30, 2018, the last day of the 2018 fiscal year.

Executive Benefits and Payments	Voluntary Termination $	Involuntary Termination Without Cause $	(1) Change in Control $	Voluntary Termination With Good Reason or Involuntary Termination Without Cause With Change in Control	Death $	Disability $
Short-Term Incentive:						
Annual Cash Incentive						
Long-Term Incentive:						
Stock Options				22,355(2)	22,355(2)	22,355(2)
Restricted Stock Awards			108,772	238,318	238,318	238,318
Benefits & Perquisites:						
Health & Welfare Benefits		14,005		21,008		
Life Insurance Proceeds					300,000	
Outplacement Amounts		4,000		4,000		
Cash Severance						
Severance(3)		606,251		808,334		
Retention(3)		800,000		800,000	800,000	800,000
Total		1,424,256	108,772	1,894,015	1,360,673	1,060,673

(1) For awards issued prior to November 16, 2016, immediately prior to change in control, awards held by the named executive officer will automatically vest and become exercisable.

(2) Reflects the accelerated vesting of stock options with exercise prices below the market price of the Company's common stock as of June 30, 2018.

(3)
Payments triggered by termination of the executive will not be payable unless the executive (or the executive's successors or assigns) has executed and timely delivered to the Company a release of claims in the form as is reasonably satisfactory to the Company and any applicable revocation periods have expired.

Phillip D. Hixon

The following table shows the potential payments upon termination or change of control of the Company for Phillip Hixon, the Company's Executive Vice President Store Operation, as of the fiscal year ended June 30, 2018.

Executive Benefits and Payments	Voluntary Termination $	Involuntary Termination Without Cause $	(1) Change in Control $	Voluntary Termination With Good Reason or Involuntary Termination Without Cause With Change in Control $	Death $	Disability $
Short-Term Incentive:						
Annual Cash Incentive						
Long-Term Incentive:						
Stock Options				22,355(2)	22,355(2)	22,355(2)
Restricted Stock Awards			134,128	263,674	263,674	263,674
Benefits & Perquisites:						
Health & Welfare Benefits		15,613		23,420		
Life Insurance Proceeds					300,000	
Outplacement Amounts		4,000		4,000		
Cash Severance						
Severance(3)		459,000		612,000		
Retention(3)		500,000		500,000	500,000	500,000
Total		978,613	134,128	1,425,449	1,086,029	786,029

(1)
For awards issued prior to November 16, 2016, immediately prior to change in control, awards held by the named executive officer will automatically vest and become exercisable.

(2)
Reflects the accelerated vesting of stock options with exercise prices below the market price of the Company's common stock as of June 30, 2018.

(3)
Payments triggered by termination of the executive will not be payable unless the executive has executed and timely delivered to the Company a release of claims in the form as is reasonably satisfactory to the Company and any applicable revocation periods have expired.

Trent Taylor

The following table shows the potential payments upon termination or change of control of the Company for Mr. Taylor, the Company's CIO and Executive Vice President, Supply Chain and Inventory Management, as of June 30, 2018, the last day of the 2018 fiscal year.

Executive Benefits and Payments	Voluntary Termination $	Involuntary Termination Without Cause $	(1) Change in Control $	Voluntary Termination With Good Reason or Involuntary Termination Without Cause With Change in Control $	Death $	Disability $
Short-Term Incentive:						
Annual Cash Incentive						
Long-Term Incentive:						
Stock Options				10,645(2)	10,645(2)	10,645(2)
Restricted Stock Awards			28,780	206,620	206,620	206,620
Benefits & Perquisites:						
Health & Welfare Benefits		23,563		35,345		
Life Insurance Proceeds					300,000	
Outplacement Amounts		4,000		4,000		
Cash Severance						
Severance(3)		525,000		700,000		
Retention(3)		500,000		500,000	500,000	500,000
Total		1,052,563	28,780	1,456,610	1,017,265	717,265

(1) For awards issued prior to November 16, 2016, immediately prior to change in control, awards held by the named executive officer will automatically vest and become exercisable.

(2) Reflects the accelerated vesting of stock options with exercise prices below the market price of the Company's common stock as of June 30, 2018.

(3) Payments triggered by termination of the executive will not be payable unless the executive has executed and timely delivered to the Company a release of claims in the form as is reasonably satisfactory to the Company and any applicable revocation periods have expired.

Belinda Byrd-Rohleder

The following table shows the potential payments upon termination or change of control of the Company for Ms. Byrd-Rohleder, the Company's Senior Vice President and General Merchandising Manager, as of June 30, 2018, the last day of the 2018 fiscal year.

Executive Benefits and Payments	Voluntary Termination $	Involuntary Termination Without Cause $	(1) Change in Control $	Voluntary Termination With Good Reason or Involuntary Termination Without Cause With Change in Control $	Death $	Disability $
Short-Term Incentive:						
Annual Cash Incentive						
Long-Term Incentive:						
Stock Options				6,210(2)	6,210(2)	6,210(2)
Restricted Stock Awards			64,274	117,783	117,783	117,783
Benefits & Perquisites:						
Health & Welfare Benefits		6,552		9,828		
Life Insurance Proceeds					300,000	
Cash Severance						
Severance(3)		270,000		405,000		
Retention(3)		500,000		500,000	500,000	500,000
Total		776,552	64,274	1,038,821	923,993	623,993

(1) For awards issued prior to November 16, 2016, immediately prior to change in control, awards held by the named executive officer will automatically vest and become exercisable.

(2) Reflects the accelerated vesting of stock options with exercise prices below the market price of the Company's common stock as of June 30, 2018.

(3) Payments triggered by termination of the executive will not be payable unless the executive has executed and timely delivered to the Company a release of claims in the form as is reasonably satisfactory to the Company and any applicable revocation periods have expired.

Chief Executive Officer Pay Ratio

In August 2015, the SEC adopted a rule mandated by the Dodd-Frank Wall Street Reform and Consumer Protection Act that requires a public company to calculate and disclose the total compensation paid to our median employee, and to disclose the ratio of the total compensation of our Chief Executive Officer to that of the median employee. SEC rules for identifying the median employee and calculating the pay ratio allow companies to apply various methodologies and assumptions. Therefore, the pay ratio reported by us may not be comparable to the pay ratio reported by other companies, including those within our peer group or industry.

The median employee is a part-time employee and was identified by reviewing the total cash compensation for all employees, excluding the Company's Chief Executive Officer, who were employed by the Company on June 30, 2018. All of the Company's employees were included, whether employed on a full-time or part-time basis. Adjustments were made to annualize the compensation of employees who were not employed by the Company for the entire year. After identifying the median employee based on total cash compensation, the 2018 annual total compensation was calculated for the median employee using the same methodology used for the Company's Chief Executive Officer as presented in the Summary Compensation Table.

We identified 8,212 full-time, part-time and temporary associates as of the end of the fiscal year 2018 to include in the pool. We used total cash compensation (including stock, if awarded) as the consistently applied compensation measure (CACM). Associates who were not employed for the entire year such as new hires and those on a leave of absence were prorated and annualized. The total compensation for the median employee was $9,100. The Chief Executive Officer's total compensation was calculated as in the 2018 Summary Compensation Table, and is $1,284,748. The ratio is 141 to 1.

DIRECTOR COMPENSATION

The table below summarizes the compensation paid to each non-employee director of the Company for the fiscal year ended June 30, 2018.

Name	Fees Earned or Paid in Cash(1) ($)	Stock Awards(3) ($)	Option Awards(3)(4)(5) ($)	Non-Equity Incentive Plan Compensation ($)	Change Pension Value and Non-qualified Deferred Earnings ($)	All Other Compensation ($)	Total ($)
Terry Burman	135,000	66,822					201,822
Frank M. Hamlin	77,500	35,981					113,481
William Montalto	60,000	35,981					95,981
Sherry M. Smith	82,500	35,981					118,481
Richard S. Willis	95,000	35,981					130,981
Barry S. Gluck	67,833	35,981					103,814
James T. Corcoran	28,329	35,981					64,310
Jimmie L. Wade(2)	43,438						43,438

(1) This column includes annual cash retainers for board and committee service, committee chair service and, in the case of Mr. Burman, independent Chairman service.

(2) On October 4, 2017, Mr. Wade provided the Company with notice of intention not to seek re-election as a director at the Company's 2017 Annual Meeting of Stockholders held on November 15, 2017, with his intention to retire from the Board of Directors on November 15, 2017. Mr. Wade's decision to retire from the Board of Directors of the Company was not due to any disagreement with the Company on any matter relating to the Company's operations, policies or practices. Mr. Wade received quarterly cash payments for his service through November 15, 2017.

(3) This column represents the grant date fair value of the respective equity awards computed in accordance with FASB ASC Topic 718. The amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. Refer to note (1)(l) and note (6) to the Company's consolidated financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2018 for additional information on the valuation assumptions used in the calculation of grant date fair value for stock awards included in the table. The value of the stock awards is calculated using the closing price of the Common Stock on the date the awards were made to each director. The closing stock price represents the grant date fair value of the stock awards under the 2014 Plan.

(4) On November 15, 2017, the Company granted each director, 13,084 shares of restricted stock under the 2014 Plan having a grant date fair value of $35,981 all of which are scheduled to vest on November 15, 2018. The Compensation Committee chose to move from value-based dollar grants for LTI equity to flat share amounts equal to the same number of shares awarded in fiscal year 2017. As a result, the grant date fair values of the fiscal 2018 awards granted to each director were less than the grant date fair values of the fiscal 2017 awards. The Compensation Committee took this approach because it believed the current market value of the stock was not reflective of the value of the Company and that the awards will provide the potential for substantial future value based on the Company's performance. In addition, on November 15, 2017, the Company granted Mr. Burman 11,215 shares of restricted stock under the 2014 Plan having a grant date fair value of $30,841, all of which are scheduled to vest on November 15, 2018. This represented a special restricted stock grant in connection with his service as independent Chairman of the Board.

(5)

The non-employee directors had the following outstanding equity awards at the end of the 2018 fiscal year.

Name	Outstanding Options Exercisable (#)	Outstanding Options Unexercisable (#)	Compensation Unvested Stock Award (#)
Terry Burman	20,000		24,229
Frank M. Hamlin			13,084
William Montalto	20,000		13,084
Sherry M. Smith			13,084
Richard S. Willis	20,000		13,084
Barry S. Gluck			13,084
James T. Corcoran			13,084

In November 2017, the Company adopted the following compensation program for non-employee directors (the "Director Compensation Plan"):

Name	Board Fees ($)	Annual Committee Fees ($)	Compensation Committee Fees ($)	Nominating and Governance Committee Fees ($)
Annual Retainer	60,000	10,000	7,500	5,000
Annual Chairman Fee	60,000	20,000	15,000	10,000
Annual Restricted stock grant value	35,981			

Under the Director Compensation Plan, non-employee directors receive reimbursement for their out-of-pocket expenses incurred in attending Board and committee meetings and the standard 20% discount on merchandise purchases that is provided to all of our employees.

As an employee of the Company, Mr. Becker does not receive any additional compensation in connection with his service as a member of the Board of Directors of the Company.

For fiscal 2018, the Compensation Committee changed the award value of the standard annual grant from $70,000 to $35,981. The Compensation Committee took this approach because it believed the current market value of the stock did not reflect the value of the Company and that the awards will provide the potential for a substantial increase in future value based on the Company's performance. They chose to move from a value-based dollar grant of LTI equity to a flat share amount based upon the same number of shares awarded in fiscal year 2017. These awards of restricted stock vest one year from grant date. If the director begins service on or prior to July 31 during the first year of service, the director will receive a value-based dollar grant of LTI equity of $35,981. If the director begins service after July 31 during the first year of service, the director will receive one-half of the flat share amount of a restricted stock award valued at $17,981. The Company expects to return to making grants at the standard annual grant value of $70,000 in the near future.

In addition, on November 15, 2017, the Company also paid fees to Mr. Burman of $60,000 and granted Mr. Burman 11,215 shares of restricted stock under the 2014 Plan having a grant date fair value of $30,841, all of which are scheduled to vest on November 15, 2018, which represented a special restricted stock grant in connection with his service as independent Chairman of the Board.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee, which is comprised solely of non-employee directors, all of whom the Board has determined are independent pursuant to the applicable NASDAQ rules and SEC requirements relating to the independence of audit committee members, oversees Tuesday Morning Corporation's financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process including the systems of internal controls. In fulfilling its oversight responsibilities, the Audit Committee has reviewed and discussed the audited financial statements in the Annual Report on Form 10-K with management, which included a discussion of the quality, not just the acceptability of the accounting principles, the reasonableness of significant judgments, and the clarity of the disclosures in the financial statements.

The Audit Committee is responsible for appointment, compensation and oversight of the Company's independent registered public accounting firm, Ernst & Young. The Audit Committee reviewed with Ernst & Young, who is responsible for expressing an opinion on the conformity of those audited financial statements with U.S. generally accepted accounting principles, their judgments as to the quality, not just the acceptability, of Tuesday Morning Corporation's accounting principles. The Audit Committee also discussed with the independent registered public accounting firm the matters required to be discussed by Auditing Standard No. 16 (codified as Auditing Standard No. 1301), "Communications with Audit Committees", issued by the Public Company Accounting Oversight Board. In addition, the Audit Committee has discussed with the independent registered public accounting firm the independent registered public accounting firm's independence from management and the Company, and has received the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm's communications with the Audit Committee concerning independence, and considered the compatibility of non-audit services with the independent registered public accounting firm's independence.

The Audit Committee discussed with the Company's independent registered public accounting firm the overall scope and plans for their respective audits. The Audit Committee meets with the independent registered public accounting firm, with and without management present, to discuss the results of their examinations, their evaluations of the Company's internal controls, and the overall quality of the Company's financial reporting.

The Audit Committee meets with the Company's Chief Financial Officer to discuss the overall scope and results of projects, including evaluation of the Company's internal controls and the overall quality of the Company's financial reporting.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board of Directors (and the Board approved) that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2018 for filing with the Securities and Exchange Commission. The Audit Committee also selected Ernst & Young as the Company's independent registered public accounting firm for the fiscal year ending June 30, 2019.

As Members of the Audit Committee,

Richard S Willis, Chair
Frank Hamlin
James Corcoran

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Policy and Procedures with Respect to Related Party Transactions

The Company has adopted a written policy governing the review, approval or ratification of "Related Party Transactions," as described below (the "Policy").

Related Party Transactions

For the purposes of the Policy, a "Related Party Transaction" is a transaction or any material amendment to a transaction, including, but not limited to, any financial transaction, agreement, arrangement or relationship (including any indebtedness of guarantee of indebtedness), or any series of similar transactions, agreements, arrangements or relationships, in which the Company was, is or will be a participant, and the amount involved exceeds $120,000, and in which any Related Party had, has or will have a direct or indirect material interest (subject to certain exceptions).

For purposes of the Policy, a "Related Party" is: (i) any person who is, or at any time since the beginning of the Company's last fiscal year was, an executive officer, a director, or a nominee for director of the Company; (ii) any person who, at the time of the occurrence or existence of the Related Party Transaction, is the beneficial owner of more than 5% of any class of the Company's voting securities; or (iii) any "immediate family member" (as defined in the Policy) of any of the foregoing persons and any person (other than a tenant or employee) sharing the household of any of the foregoing persons.

Approval Procedures

The Policy requires that when the Company or a Related Party proposes to engage in a transaction that is potentially a Related Party Transaction, the following steps will be taken:

- The Related Party will submit the matter for review by the Company's General Counsel prior to entering into the transaction.

- The General Counsel will then assess whether the proposed transaction is a Related Party Transaction for purposes of the Policy. If the General Counsel determines that the proposed transaction is a Related Party Transaction, the proposed Related Party Transaction will be submitted to the Audit Committee for consideration or, in those instances in which that is not practicable or desirable, to the Chair of the Audit Committee (who will possess delegated authority to act on behalf of the Committee). The Audit Committee, or when submitted to the Chair, the Chair, will consider the relevant facts and circumstances of the Related Party Transaction. No member of the Audit Committee will participate in any review, consideration or approval of any Related Party Transaction in which he or she or any immediate family member, directly or indirectly, is involved.

- The Audit Committee (or the Chair) will approve or ratify only those Related Party Transactions that the Audit Committee (or the Chair) believes are fair to the Company and that are determined to be in, or are not inconsistent with, the best interests of the Company and its stockholders. The Audit Committee or Chair, as applicable, shall convey the decision to the General Counsel, who shall convey the decision to the Related Party and appropriate persons within the Company.

- In the event it is not practicable to present any Related Party Transaction to the Audit Committee or the Chair prior to entering into such Related Party Transaction, it may be presented to the General Counsel for approval or be preliminarily entered into subject to ratification by the Audit Committee; provided, however, that if the Audit Committee or the

Chair does not ratify the Related Party Transaction, the Company will take all reasonable efforts or actions to cancel or terminate it.

Ratification Procedures

In the event any Related Party Transaction is not reported to the Audit Committee or the Chair or approved pursuant to the above described process prior to the Company entering into such Related Party Transaction, the following steps will be taken:

The Related Party Transaction will be submitted to the Audit Committee or Chair, and the Audit Committee or Chair will consider all of the relevant facts and circumstances available to the Audit Committee or the Chair. No member of the Audit Committee will participate in any review, consideration or approval of any Related Party Transaction in which he or she or any immediate family member directly or indirectly is involved.

Based on the conclusions reached with respect to the standards set forth above concerning approval of Related Party Transactions, the Audit Committee or the Chair will evaluate all options, including but not limited to ratification, amendment or termination of the Related Party Transaction.

Disclosure

Under the Policy, all Related Party Transactions that are required to be disclosed in the Company's filings with the SEC, as required by the Securities Act of 1933, as amended, and the Exchange Act and related rules and regulations, will be so disclosed in accordance with such laws, rules and regulations. Furthermore, all Related Party Transactions will be disclosed to the Board of Directors following approval or ratification, as the case may be, of a Related Party Transaction.

Report of the Company's Related Party Transactions

The Company did not participate in any Related Party Transactions during the fiscal year ended June 30, 2018.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our directors and executive officers, and persons who own more than 10% of our Common Stock to report their initial ownership of our Common Stock and any subsequent changes in that ownership to the SEC. Specific due dates have been established by the SEC for the filing of these reports, and we are required to disclose in this Proxy Statement any failure to file by these dates. The SEC's rules require such persons to furnish the Company with copies of all Section 16(a) reports that they file. Based solely on our review of these reports and on written representations from the reporting persons that no report was required, we believe that the applicable Section 16(a) reporting requirements were complied with for all transactions which occurred during the fiscal year ended June 30, 2018, except that each of Trent Taylor and Belinda Byrd-Rohleder inadvertently failed to timely file a report on Form 4 relating to three equity grants made in September 2017 but such transactions were reported on Form 4s filed in September 2017.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information with respect to the beneficial ownership of our Common Stock as of October 11, 2018 by (1) each person (or group of affiliated persons) who is known by us to own beneficially more than 5% of the Common Stock outstanding on October 11, 2018 (based upon SEC filings), (2) each of our directors and the new director nominee, (3) each of our NEOs and (4) all of our directors and executive officers as a group. The Company has determined beneficial ownership in accordance with the rules and regulations of the SEC. Unless otherwise indicated, to the Company's knowledge, each stockholder has sole voting and dispositive power with respect to the securities beneficially owned by that stockholder. On October 11, 2018, there were 45,946,656 shares of Common Stock outstanding.

	Shares Beneficially Owned	
Name	**Number**	**Percent**
T. Rowe Price Associates, Inc.(1) 100 E. Pratt Street Baltimore, MD 21202	6,833,570	14.9%
PAR Investment Partners, L.P.(2) 200 Clarendon Street, 48th Floor Boston, MA 02116	4,468,600	9.7%
Uziel Capital Management, LLC(3) 654 Madison Avenue, 9th Floor New York, NY 10065	3,933,750	8.6%
Dimensional Fund Advisors LP(4) Building One, 6300 Bee Cave Road Austin, TX 78746	3,276,647	7.1%
Steven R. Becker(5)	1,494,469	3.2%
Terry Burman(6)	264,433	*
James T. Corcoran(7)	381,884	*
Barry Gluck(8)	40,584	*
Frank M. Hamlin(9)	54,679	*
William Montalto(10)	124,668	*
Sherry M. Smith(11)	46,829	*
Richard S Willis(12)	77,052	*
Stacie R. Shirley(13)	230,847	*
Phillip D. Hixon(14)	298,791	*
Trent Taylor(15)	133,370	*
Belinda Byrd-Rohleder(16)	97,459	*
All directors and executive officers as a group (12 persons)(17)	3,245,065	7.0%

* Denotes ownership of less than 1.0%.

(1) Based on information set forth in the Schedule 13G/A filed with the SEC on February 14, 2018 by T. Rowe Price Associates, Inc. ("TRP Associates") and T. Rowe Price Small-Cap Stock Fund, Inc. ("TRP Fund"), TRP Associates has the sole power to vote 1,022,400 shares of the 6,833,570 shares of Common Stock and the sole power to dispose of all of the 6,833,570 shares of Common Stock, and TRP Fund has the sole power to vote 3,884,100 shares of Common Stock and no dispositive power.

(2) Based on information set forth in the Schedule 13G/A filed with the SEC on February 14, 2018 by PAR Investment Partners, L.P. ("PAR"), PAR Group, L.P. ("PAR Group") and PAR Capital Management, Inc. ("PAR Capital Management") (collectively, the "PAR Reporting Persons"), each

of the PAR Reporting Persons has the sole power to vote all of the 3,504,155 shares of Common Stock and the sole power to dispose of all of the 3,504,155 shares of Common Stock. PAR Group is the sole general partner of PAR and PAR Capital Management is the sole general partner of PAR Group and therefore PAR Group and PAR Capital Management may be deemed to be the beneficial owner of all shares held directly by PAR.

(3)

Based on information set forth in the Schedule 13G/A filed with the SEC on February 13, 2018 by Uziel Capital Management, LLC ("UCM") and Ori Uziel, UCM has shared voting and dispositive power with respect to 3,908,750 shares of Common Stock and Ori Uziel has shared voting and dispositive power with respect to 3,933,750 shares of Common Stock and sole voting and dispositive power with respect to 25,000 shares of Common Stock.

(4)

Based on information set forth in the Schedule 13G/A filed with the SEC on February 9, 2018 by Dimensional Fund Advisors LP ("Dimensional"), Dimensional is an investment advisor to four registered investment companies and serves as investment manager or sub-adviser to certain other commingled funds, group trusts and separate accounts (collectively, such investment companies, funds, trusts, and accounts, the "Dimensional Funds"). Dimensional has sole power to vote 3,155,816 shares of Common Stock held by the Dimensional Funds, and it has sole power to dispose of 3,276,647 shares of Common Stock.

(5)

Represents 743,137 shares of Common Stock held directly, 334,044 shares that may be acquired upon the exercise of options that are currently exercisable or will become exercisable within 60 days of October 11, 2018 and 417,288 unvested shares of restricted stock. Shares of Common Stock held directly include shares held by Western Family Value I, L.P. ("WFV I"). Western Family Value, LLC ("WFV") is the general partner of WFV I and may be deemed to beneficially own securities owned by WFV I. Mr. Becker is the sole member of WFV and may be deemed to beneficially own securities owned by WFV. Mr. Becker disclaims beneficial ownership of the securities owned by WFV I and WFV, except to the extent of the pecuniary interest of Mr. Becker in such securities.

(6)

Represents 220,134 shares of Common Stock held directly, 20,000 shares that may be acquired upon the exercise of options that are currently exercisable and 24,299 unvested shares of restricted stock.

(7)

Represents 65,000 shares of Common Stock held directly and 13,084 unvested shares of restricted stock. Also represents 303,800 shares of Common Stock held by PMCP I, LP. James T. Corcoran is the sole member of PMCP GP, LLC, which is the General Partner of PMCP I, LP, and therefore may be deemed to be the beneficial owner of all shares held directly by PMCP I, LP. Mr. Corcoran expressly disclaims beneficial ownership of such shares except to the extent of his pecuniary interest therein.

(8)

Represents 27,500 shares of Common Stock held directly and 13,084 unvested shares of restricted stock.

(9)

Represents 41,595 shares of Common Stock held directly and 13,084 unvested shares of restricted stock.

(10)

Represents 36,584 shares of Common Stock held directly, 55,000 shares of Common Stock held indirectly by the William Montalto Revocable Trust, 20,000 shares that may be acquired upon the exercise of options that are currently exercisable and 13,084 unvested shares of restricted stock.

(11)

Represents 33,745 shares of Common Stock held directly and 13,084 unvested shares of restricted stock.

(12)

Represents 43,968 shares of Common Stock held directly, 20,000 shares that may be acquired upon the exercise of options that are currently exercisable and 13,084 unvested shares of restricted stock.

(13) Represents 56,000 shares of Common Stock held directly, 60,416 shares that may be acquired upon the exercise of options that are currently exercisable or will become exercisable within 60 days of October 11, 2018 and 114,431 unvested shares of restricted stock.

(14) Represents 17,190 shares of Common Stock held directly, 163,264 shares that may be acquired upon the exercise of options that are currently exercisable or will become exercisable within 60 days of October 11, 2018 and 118,337 unvested shares of restricted stock.

(15) Represents 6,649 shares of Common Stock held directly, 18,671 shares that may be acquired upon the exercise of options that are currently exercisable or will become exercisable within 60 days of September 22, 2017 and 108,050 unvested shares of restricted stock.

(16) Represents 7,306 shares of Common Stock held directly, 38,990 shares that may be acquired upon the exercise of options that are currently exercisable or will become exercisable within 60 days of October 11, 2018 and 51,163 unvested shares of restricted stock.

(17) Represents 1,298,808 shares of Common Stock held directly, 358,800 shares of Common Stock held indirectly, 675,385 shares that may be acquired upon the exercise of options that are currently exercisable or will become exercisable within 60 days of October 11, 2018 and 912,072 unvested shares of restricted stock.

STOCKHOLDERS' PROPOSALS

Pursuant to Rule 14a-8, to be included in the Board of Directors' solicitation of proxies relating to the 2019 annual meeting of the Company's stockholders, a stockholder proposal must be received at our principal executive offices, no later than June 21, 2019.

With respect to stockholder proposals to be presented at the 2019 annual meeting which are not intended to be included in our proxy statement relating to that meeting, pursuant to the Company's Amended and Restated Bylaws (the "Bylaws"), a stockholder's written notice of such proposal, in the form specified in the Bylaws, must be delivered to or mailed and received at our principal executive offices no earlier than August 1, 2019 and no later than August 31, 2019. Pursuant to Rule 14a-4(c)(1) promulgated under the Exchange Act, the Company's management will have discretionary authority to vote on any matter of which the Company does not receive notice of by August 31, 2019, with respect to proxies submitted for the 2019 annual meeting of the Company's stockholders.

Pursuant to the Bylaws, in order to nominate persons for election to the Board of Directors at the 2019 annual meeting of the Company's stockholders, a stockholder must deliver notice of the intention to submit nominations at the meeting, in the form specified in the Bylaws, to the Secretary of the Company no earlier than August 1, 2019 and no later than August 31, 2019.

We reserve the right to reject, rule out of order, or take other appropriate actions with respect to any proposal or nomination that does not comply with these and other applicable requirements.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Ernst & Young served as our independent registered public accounting firm for the fiscal year ended June 30, 2018, and the Audit Committee has selected Ernst & Young as the independent registered public accounting firm for the fiscal year ending June 30, 2019. The Board is soliciting the ratification of this selection by the Company's stockholders at the Annual Meeting.

Representatives of Ernst & Young are expected to be present at the Annual Meeting and will have the opportunity to make a statement if they so desire and are expected to be available to respond to appropriate questions.

Audit Fees

The aggregate fees billed by Ernst & Young for professional services rendered for the audit of the Company's annual financial statements, including the audit of the Company's internal control over financial reporting and the review of the financial statements included in the Company's Quarterly Reports on Form 10-Q for fiscal 2018 and fiscal 2017 were $950,500 and $902,430, respectively. The fiscal 2017 audit fees also included services in connection with a registration statement filed with the SEC.

Audit-Related Fees

The aggregate fees billed by Ernst & Young for audit-related services rendered for the fiscal years ended June 30, 2018 and June 30, 2017, were $2,160 and $2,160, respectively. Audit-related fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our consolidated financial statements and are not reported under "Audit Fees." The services for both fiscal 2018 and fiscal 2017 were comprised solely of the Company's subscription to on-line research.

Tax Fees

The aggregate fees billed by Ernst & Young for tax-related services rendered for fiscal year ended June 30, 2018 were $2,500. No fees were billed by Ernst & Young for tax-related service in the fiscal year ended June 30, 2017. Tax fees consist of fees billed for tax services that are unrelated to the audit of our consolidated financial statements and include assistance regarding federal, state and local tax compliance, approved tax planning and other tax advice.

All Other Fees

Excluding the audit fees, audit-related fees and tax fees mentioned above, there were no other fees billed by Ernst & Young during the fiscal years ended June 30, 2018 and June 30, 2017, respectively.

Pre-Approval Policies and Procedures

The Audit Committee has adopted a policy that requires advance approval of all audit fees, audit-related fees, tax services and other services performed by our independent registered public accounting firm. The policy provides for pre-approval by the Audit Committee of specifically defined audit and non-audit services. Unless the specific service has been previously pre-approved with respect to that year (and except for items exempt from pre-approval under applicable laws and rules), the Audit Committee must approve the permitted service before the independent registered public accounting firm is engaged to perform it. The Audit Committee has delegated to the Chairman of the Audit Committee authority to approve permitted services provided that the Chairman reports any decisions to the Committee at its next scheduled meeting. All audit and non-audit services for the fiscal year ended June 30, 2018 were pre-approved by the Audit Committee.

HOUSEHOLDING OF PROXIES

For stockholders who have requested a printed copy of our proxy materials, the SEC has adopted rules that permit companies and intermediaries such as brokers to satisfy delivery requirements for annual reports and proxy statements with respect to two or more stockholders sharing the same address by delivering a single Annual Report, Proxy Statement or Notice of Internet Availability of Proxy Materials addressed to those stockholders. This process, which is commonly referred to as "householding," potentially provides extra convenience for stockholders and cost savings for companies. The Company, and some brokers, household annual reports, proxy materials, or Notice of Internet Availability of Proxy Materials, as applicable, delivering a single annual report and proxy statement to multiple stockholders who have requested printed copies and share an address, unless contrary instructions have been received from one or more of the affected stockholders.

Once you have received notice from your broker or the Company that your broker or the Company will be householding materials to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate Annual Report, Proxy Statement or Notice of Internet Availability of Proxy Materials, as applicable, in the future, please notify your broker if your shares are held in a brokerage account, or the Company if you hold registered shares. If, at any time, you and another stockholder sharing the same address wish to participate in householding and prefer to receive a single copy of our Annual Report and Proxy Statement, please notify your broker if your shares are held in a brokerage account, or the Company if you hold registered shares.

You may request to receive at any time a separate copy of our Annual Report or Proxy Statement by sending a written request to the Company's Secretary at 6250 LBJ Freeway, Dallas, Texas 75240 or by telephoning (972) 387-3562. A separate copy of the requested materials will be sent promptly following receipt of your request.

OTHER MATTERS

As of the date of this Proxy Statement, the Board of Directors is not aware of any matter to be presented for action at the Annual Meeting other than the matters set forth herein. If any other matters should arise at the Annual Meeting, shares represented by proxies will be voted at the discretion of the proxy holders.

By Order of the Board of Directors,

Bridgett C. Zeterberg
Secretary

Dallas, Texas,
October 19, 2018

QuickLinks