

TUESDAY MORNING CORPORATION

COMPENSATION COMMITTEE CHARTER

Purpose

The purpose of the Compensation Committee of the Board of Directors (the “Committee”) of Tuesday Morning Corporation (the “Company”) is to:

- Assist the Board of Directors in discharging the Board’s responsibilities relating to compensation of the Company’s directors and executive officers;
- Produce an annual report on executive compensation for inclusion in the Company’s annual proxy statement in accordance with applicable rules and regulations;
- Make regular reports to the Board of Directors; and
- Review and reassess the adequacy of the charter annually and recommend any proposed changes to the Board.

Composition and Meetings

- The Committee shall be comprised of not less than three members of the Board. The members of the Committee shall be appointed by the Board. Membership on the Committee may be modified at the full Board’s discretion. The Board may remove a Committee member from membership on the Committee at any time with or without cause. Members shall serve until their successors are appointed by the Board. Unless a Chairman of the Committee is elected by the full Board, the members of the Committee may designate a Chairman of the Committee by majority vote of the full Committee membership.
- Each member of the Committee shall (i) be an “independent director” as required by the rules of The Nasdaq Stock Market, Inc. (Nasdaq), (ii) be a “non-employee director” for purposes of Section 16 of the Securities Exchange Act of 1934, as amended, and the rules thereunder, and (iii) be an “outside director” for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended, and the regulations thereunder.
- The Committee shall meet at least two times annually and more frequently as necessary or appropriate. Special meetings of the Committee may be called on two hours notice by the Chairman of the Board or the Committee

Chairman. A majority of the Committee shall constitute a quorum, and the Committee shall act only on the affirmative vote of a majority of the members present at the meeting. The Committee may also act by unanimous written consent without a meeting.

- The Committee shall maintain minutes of all meetings documenting its activities and recommendations to the Board.

Duties and Responsibilities

The duties and responsibilities of the Committee are as follows:

- Review the alignment of executive compensation and benefit programs, policies, and practices with Company values and strategy, and the creation of value for stockholders.
- Oversee and review executive compensation programs, benefits, policies, and practices with a view to attract, motivate, and retain qualified executive officers and other key employees of the Company and approve changes with respect to compensation, incentive compensation plans, and equity-based plans for directors and officers of the Company.
- Administer the Company's equity incentive plans, including the review and grant of stock options and other equity incentive grants to executive officers.
- Administer the Company's employee stock purchase plan.
- Review and approve corporate goals and objectives relevant to compensation of the Chief Executive Officer, evaluate the performance of the Chief Executive Officer in light of those goals and objectives, and determine the compensation of the Chief Executive Officer based on this evaluation. In determining the long-term incentive component of Chief Executive Officer's compensation, the Committee will consider the Company's performance and relative shareholder return, the value of similar incentive awards to Chief Executive Officers at comparable companies, and the awards given to the Chief Executive Officer in past years.
- Review and approve compensation and incentive arrangements (including any employment or severance agreements) for the senior executive officers of the Company.
- Review policies in the area of management perquisites.

- Make such recommendations to the Board of Directors as the Committee may consider appropriate and consistent with its purpose, and take such other actions and perform such services as may be referred to it from time to time by the Board of Directors.
- Engage, compensate, and terminate any compensation consultant or other advisor used by the Committee in performing the duties set forth in this charter.
- Conduct an annual evaluation of the Committee's performance. The Committee shall be responsible for establishing the evaluation criteria and implementing the process for such evaluation and reporting the results to the Board. This may be a written or oral report by any member of the Committee.