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

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2018

OR

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

For the Transition Period from _____ to _____

Commission File Number 000-28275

PFSweb, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

505 Millennium Drive, Allen, Texas
(Address of principal executive offices)

75-2837058
(I.R.S. Employer
Identification Number)

75013
(Zip Code)

Registrant's telephone number, including area code: (972) 881-2900

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of August 6, 2018, there were 19,258,092 shares of registrant's common stock outstanding.

PFSWEB, INC. AND SUBSIDIARIES

Form 10-Q

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

PFSWEB, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Share Data)

	(Unaudited)	
	June 30,	December 31,
	2018	2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 13,622	\$ 19,078
Restricted cash	214	214
Accounts receivable, net of allowance for doubtful accounts of \$393 and \$373 at June 30, 2018 and December 31, 2017, respectively	53,387	72,062
Inventories, net of reserves of \$296 and \$342 at June 30, 2018 and December 31, 2017, respectively	5,677	5,326
Other receivables	4,460	5,366
Prepaid expenses and other current assets	6,470	6,633
Total current assets	83,830	108,679
PROPERTY AND EQUIPMENT:		
Cost	116,690	120,403
Less: accumulated depreciation	(94,932)	(96,225)
	21,758	24,178
IDENTIFIABLE INTANGIBLES, net	2,535	3,371
GOODWILL	45,424	45,698
OTHER ASSETS	3,636	3,861
Total assets	\$ 157,183	\$ 185,787
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade accounts payable	\$ 30,910	\$ 45,070
Accrued expenses	22,532	29,074
Current portion of long-term debt and capital lease obligations	5,537	9,460
Deferred revenues	5,397	7,405
Performance-based contingent payments	—	3,967
Total current liabilities	64,376	94,976
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, less current portion	40,329	37,866
DEFERRED REVENUES, less current portion	2,869	4,034
DEFERRED RENT	5,129	5,464
OTHER LIABILITIES	2,245	2,150
Total liabilities	114,948	144,490
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Preferred stock, \$1.00 par value; 1,000,000 shares authorized; none issued or outstanding	—	—
Common stock, \$0.001 par value; 35,000,000 shares authorized; 19,291,559 and 19,058,685 shares issued at June 30, 2018 and December 31, 2017, respectively; and 19,258,092 and 19,025,218 outstanding at June 30, 2018 and December 31, 2017, respectively	19	19
Additional paid-in capital	153,429	150,614
Accumulated deficit	(110,376)	(109,281)
Accumulated other comprehensive income	(712)	70
Treasury stock at cost, 33,467 shares	(125)	(125)
Total shareholders' equity	42,235	41,297
Total liabilities and shareholders' equity	\$ 157,183	\$ 185,787

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

PFSWEB, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(In Thousands, Except Per Share Data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
REVENUES:				
Service fee revenue	\$ 53,141	\$ 54,700	\$ 109,628	\$ 111,965
Product revenue, net	8,847	9,947	18,612	21,265
Pass-through revenue	15,063	13,419	27,232	23,604
Total revenues	<u>77,051</u>	<u>78,066</u>	<u>155,472</u>	<u>156,834</u>
COSTS OF REVENUES:				
Cost of service fee revenue	33,294	35,977	68,902	75,561
Cost of product revenue	8,403	9,505	17,719	20,230
Cost of pass-through revenue	15,063	13,419	27,232	23,604
Total costs of revenues	<u>56,760</u>	<u>58,901</u>	<u>113,853</u>	<u>119,395</u>
Gross profit	20,291	19,165	41,619	37,439
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES				
	19,756	20,735	40,415	42,453
Income (loss) from operations	535	(1,570)	1,204	(5,014)
INTEREST EXPENSE, net				
	585	710	1,190	1,347
Income (loss) before income taxes	(50)	(2,280)	14	(6,361)
INCOME TAX EXPENSE, net				
	576	316	1,389	1,091
NET LOSS	<u>\$ (626)</u>	<u>\$ (2,596)</u>	<u>\$ (1,375)</u>	<u>\$ (7,452)</u>
NET LOSS PER SHARE:				
Basic	<u>\$ (0.03)</u>	<u>\$ (0.14)</u>	<u>\$ (0.07)</u>	<u>\$ (0.40)</u>
Diluted	<u>\$ (0.03)</u>	<u>\$ (0.14)</u>	<u>\$ (0.07)</u>	<u>\$ (0.40)</u>
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:				
Basic	<u>19,174</u>	<u>18,870</u>	<u>19,160</u>	<u>18,804</u>
Diluted	<u>19,174</u>	<u>18,870</u>	<u>19,160</u>	<u>18,804</u>
COMPREHENSIVE LOSS:				
Net loss	\$ (626)	\$ (2,596)	\$ (1,375)	\$ (7,452)
Foreign currency translation adjustment	(1,239)	511	(782)	807
TOTAL COMPREHENSIVE LOSS	<u>\$ (1,865)</u>	<u>\$ (2,085)</u>	<u>\$ (2,157)</u>	<u>\$ (6,645)</u>

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

PFSWEB, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

	Six Months Ended June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (1,375)	\$ (7,452)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	5,957	7,565
Amortization of debt issuance costs	71	76
Provision for doubtful accounts	22	89
Provision for excess and obsolete inventory	108	31
Loss on disposal of fixed assets	42	—
Deferred income taxes	8	240
Stock-based compensation expense	2,006	1,761
Changes in operating assets and liabilities:		
Accounts receivable	18,326	19,725
Inventories	(459)	(1,125)
Prepaid expenses, other receivables and other assets	1,193	3,396
Deferred rent	(300)	78
Accounts payable, deferred revenues, accrued expenses and other liabilities	(22,887)	(20,962)
Net cash provided by operating activities	<u>2,712</u>	<u>3,422</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(1,941)	(1,975)
Proceeds from sale of property and equipment	59	—
Net cash used in investing activities	<u>(1,882)</u>	<u>(1,975)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from issuance of common stock	350	402
Taxes paid on behalf of employees for withheld shares	(363)	(256)
Payments on performance-based contingent payments	(3,268)	(2,004)
Payments on capital lease obligations	(1,359)	(1,678)
Payments on term loan	(1,500)	(1,125)
Payments on revolving loan	(59,183)	(49,880)
Borrowings on revolving loan	59,949	45,619
Payments on other debt	(494)	(490)
Borrowings on other debt	309	895
Net cash used in financing activities	<u>(5,559)</u>	<u>(8,517)</u>
EFFECT OF EXCHANGE RATES ON CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(727)	1,777
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(5,456)</u>	<u>(5,293)</u>
Cash and cash equivalents, beginning of period	19,078	24,425
Restricted cash, beginning of period	214	215
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, beginning of period	<u>19,292</u>	<u>24,640</u>
Cash and cash equivalents, end of period	13,622	19,132
Restricted cash, end of period	214	215
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, end of period	<u>\$ 13,836</u>	<u>\$ 19,347</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for income taxes	\$ 973	\$ 844
Cash paid for interest	\$ 1,080	\$ 1,152
Non-cash investing and financing activities:		
Property and equipment acquired under long-term debt and capital leases	\$ 1,033	\$ 1,072
Performance-based contingent payments through stock issuance	\$ 822	\$ 354

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

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of PFSweb, Inc. and its subsidiaries (the “Company”) have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”), and include all normal and recurring adjustments necessary to present fairly the unaudited condensed consolidated balance sheets, statements of operations and comprehensive loss, and statements of cash flows for the periods indicated. Certain information and note disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) have been condensed or omitted pursuant to the rules and regulations of the SEC. This report should be read in conjunction with the Company’s Annual Report on Form 10-K for the year ended December 31, 2017. Results of the Company’s operations for interim periods may not be indicative of results for the full fiscal year. The Company reclassifies certain prior year amounts, as applicable, to conform to the current year presentation.

2. Significant Accounting Policies

For a complete set of the Company’s significant accounting policies, refer to the Company’s Annual Report on Form 10-K for the year ended December 31, 2017. During the three and six-month periods ending June 30, 2018, there were no significant changes to our significant accounting policies, other than those policies impacted by the new revenue recognition guidance as described below in the Impact of Recently Issued Accounting Standards.

Revenue and Cost Recognition

We derive revenue primarily from services provided under contractual arrangements with our clients or from the sale of products under our distributor agreements. The majority of our revenue is derived from contracts and projects that can span from a few months to three to five years.

Revenue is recognized when (or as) we satisfy performance obligations by transferring a promised good or service, an asset, to a client or customer. An asset is transferred to a client or customer when, or as, the client or customer obtains control over that asset. The transaction price includes fixed and, in certain contracts, variable consideration.

Variable consideration contained within our contracts includes discounts, rebates, incentives, penalties and other similar items. When a contract includes variable consideration, we estimate the variable consideration to determine whether any of it needs to be constrained. We include the variable consideration in the transaction price only to the extent that it is probable that a significant reversal of the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. We estimate variable consideration and constraints based on our review of the contract terms and conditions. Variable consideration and constraint amounts are the most likely amounts based on our history with the customer. If no history is available, then we will book the most likely amount based on the range of possible consideration amounts. Variable consideration and constraints are updated at each reporting date.

Incremental contract costs (such as sales commissions) are expensed when incurred when the amortization period of the asset that would have been recognized is one year or less; otherwise, incremental contract costs are recognized as an asset and amortized over time as promised goods and services are transferred to a customer.

We evaluate our contractual arrangements to determine whether or not they include multiple performance obligations. Revenue recognition is determined for each distinct performance obligation of the contract in accordance with Accounting Standard Codification (“ASC”) 606 (“ASC 606”). We allocate revenue to each performance obligation based on the relative standalone sales price.

For contracts recognized over time, we recognize the estimated loss to the extent the project has been completed based on actual hours incurred compared to the total estimated hours. We recognized a \$0.2 million contract loss for both the three and six months ended June 30, 2018. The loss is recognized when the current estimate of the consideration we expect to receive, modified to include any variable consideration, is less than the current estimate of total costs for the contract.

Service Fee Revenue

Our service fee revenue includes activities that relate to our PFS Operations and LiveArea Professional Services business units. PFS Operations primarily includes distribution, order management and payment services. LiveArea Professional Services primarily includes e-commerce and digital experience strategy consulting, creative website design and marketing support, and technology platform integration services. We typically charge our service fee revenue on either a time and materials, fixed price, cost-plus a margin, a percent of shipped revenue, or retainer basis for our professional services, or a per transaction basis, such as a per item basis for fulfillment services or a per labor hour basis for web-enabled customer contact center services. Additional fees are billed for other services.

Distribution services relate primarily to inventory management, product receiving, warehousing and fulfillment (i.e., picking, packing and shipping product on our clients’ behalf). Order management and contact center services relate primarily to taking customer orders for our clients’ products via various channels such as telephone call-center, electronic or facsimile. These services

also entail addressing customer questions related to orders, as well as merchandising activities. These performance obligations typically include related set-up and integration services in preparation of performing such activities.

Professional services relate primarily to design, implementation and support of eCommerce platforms, website solutions and quality control for our clients. Additionally, the Company provides digital agency services that enable client marketing programs to attract new customers, convert buyers and increase website value. We recognize this revenue over time as services are rendered.

Most of our fixed price, professional services contracts require the customer to pay us for all costs plus a margin for work performed up until termination date, regardless of which party terminates. For these contracts, revenue is recognized based on input methods, generally hours expended. The input method measures progress toward the satisfaction of the performance obligation by multiplying the transaction price of the performance obligation by the percentage of hours incurred to total estimated hours as of the balance sheet date after giving effect to the most current estimates. When we are not able to reasonably measure the outcome of a performance obligation but expect to recover costs incurred, we recognize revenue to the extent of the costs incurred until such time that we can reasonably measure the outcome of the performance obligation.

Our billings for reimbursement of out-of-pocket expenses, including travel and certain third-party vendor expenses such as shipping and handling costs and telecommunication charges, are included in pass-through revenue, as incurred. The related reimbursable costs are reflected as cost of pass-through revenue.

Product Revenue

Depending on the terms of the customer arrangement, product revenue and product cost is recognized at the point the customer gains control of the asset. The specific point in time when control transfers depends on the contract with the customer. Typically, our terms are Freight on Board (“FOB”) Shipping point. We permit our customers to return product. Product revenue is reported net of estimated returns and allowances, which are estimated based upon historical return information. Management also considers any other current information and trends in making estimates.

Gross versus Net Revenue

In instances where revenue is derived from product sales from a third-party, we record revenue on a gross basis when we are a principal to the transaction and net of costs when we are acting as an agent between the customer or client and the vendor. We are the principal and therefore record revenue on a gross basis if we control a promised good or service before transferring that good or service to the customer. We are an agent and record revenue on a net basis for what we retain for agency services if our role is to arrange for another entity to control the promised goods or services.

The allocated transaction price when we are the principle will be based on the stand alone selling price of the good or service, which is supported by the invoice. Transaction prices for products are typically based off list prices, plus a margin. The transaction prices for services are primarily based off of labor rate tables, job level categories, material and infrastructure costs, plus a margin.

Indicators that we control the specified good or service before it is transferred to the customer (and are therefore a principal) include: 1) we are primarily responsible for fulfilling the promise to provide the specified good or service, 2) we have inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer (for example, if the customer has a right of return), and 3) we have discretion in establishing the price for the specified good or service. We must first identify the specified good or service and determine whether we control that specified good or service before evaluating the indicators. The indicators serve as support for the entity’s control determination and are not a replacement of it.

Practical expedients

The standard allows entities to use several practical expedients, including determining whether a significant financing component exists, treatment of sales and usage-based taxes, and the recognition of certain incremental costs of obtaining a contract with a client or customer. Contracts of less than a year with a financing component will be expensed in that period as a practical expedient. Our current contracts do not have a financing component. Commissions on contracts of less than one year will be expensed as a practical expedient. Commissions will be capitalized on contracts over one year. As of June 30, 2018, we did not have any material commissions on contracts in excess of one year. We also present our revenues net of sales and usage-based tax as a practical expedient.

Impact of Recently Issued Accounting Standards

Pronouncements Recently Adopted

In May 2014, the FASB issued ASC 606, “Revenue from Contracts with Customers”, which replaces numerous requirements in U.S. GAAP, including industry-specific requirements, provides companies with a single revenue recognition model for recognizing revenue from contracts with clients and customers and significantly expands the disclosure requirements for revenue arrangements. The new standard, as amended, became effective for the Company for interim and annual reporting periods beginning on January 1, 2018.

On January 1, 2018, the Company adopted ASC 606 using the modified retrospective method applied to the contracts that were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under ASC 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under ASC 605, "Revenue Recognition".

We recorded a net increase to opening retained earnings of \$0.3 million as of January 1, 2018 due to the cumulative impact of adopting ASC 606, with the impact primarily related to our adjustments to deferred revenues and costs. We recorded a reduction of \$0.7 million to deferred revenue, a reduction of \$0.4 million to deferred costs, and a contract liability of \$0.1 million.

The impact of applying ASC 606 for the three and six months ended June 30, 2018 was immaterial to revenues and operating profits.

In August 2016, the FASB issued ASU No. 2016-15, "*Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments - a consensus of the Emerging Issues Task Force*" ("ASU 2016-15"). ASU 2016-15 is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. Certain issues addressed in this guidance include debt payments or debt extinguishment costs, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, distributions received from equity method investments and beneficial interests in securitization transactions. ASU 2016-15 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years, with early adoption permitted. Adoption of ASU 2016-15 as of January 1, 2018 did not have an impact on the Company's consolidated financial statements.

In November 2016, the FASB issued an ASU No. 2016-18, "*Statement of Cash Flows (Topic 230): Restricted Cash*" ("ASU 2016-18"). ASU 2016-18 amends the presentation of restricted cash within the consolidated statements of cash flows, requiring that restricted cash be added to cash and cash equivalents on the consolidated statements of cash flows. ASU 2016-18 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years, with early adoption permitted. The Company adopted ASU 2016-18 in the three-month period ended March 31, 2018 on a retrospective basis with no impact to the Company's consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01, "*Business Combinations (Topic 805): Clarifying the Definition of a Business*" ("ASU 2017-01"). ASU 2017-01 clarifies the definition of a business when evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. ASU 2017-01 is effective for annual reporting periods, and interim periods therein, beginning after December 15, 2017. Adoption of ASU 2017-01 did not have an impact on the Company's consolidated financial statements.

In May 2017, the FASB issued ASU No. 2017-09, "*Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting*" ("ASU 2017-09"), clarifying when a change to the terms or conditions of a stock-based payment award must be accounted for as a modification. ASU 2017-09 requires modification accounting if the fair value, vesting condition or the classification of the award is not the same immediately before and after a change to the terms and conditions of the award. ASU 2017-09 is effective for the Company on a prospective basis beginning on January 1, 2018. Adoption of ASU 2017-09 did not have an impact on the Company's consolidated financial statements as it is not the Company's general practice to change either the terms or conditions of stock-based payment awards once they are granted.

In March 2018, the FASB issued ASU 2018-05, "*Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118*" ("ASU 2018-05"). The amendments in ASU 2018-05 provide guidance on when to record and disclose provisional amounts for certain income tax effects of the Tax Cuts and Jobs Act ("Tax Reform Act"). The amendments also require any provisional amounts or subsequent adjustments to be included in net income. Additionally, ASU 2018-05 discusses required disclosures that an entity must make with regard to the Tax Reform Act. ASU 2018-05 is effective immediately as new information is available to adjust provisional amounts that were previously recorded. The Company has adopted ASU 2018-05 and will continue to evaluate indicators that may give rise to a change in our tax provision as a result of the Tax Reform Act.

Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU No. 2016-02, "*Leases*" ("ASU 2016-02"). ASU 2016-02 establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is currently assessing the impact of ASU 2016-02 on its consolidated financial statements, including implementing changes to our systems and processes in conjunction with our review of existing lease agreements. The Company currently expects the most significant impact of this new standard will be the recognition of the right-of-use assets and operating lease liabilities on our consolidated balance sheet upon adoption as well as the related financial statement disclosures.

In January 2017, the FASB issued ASU No. 2017-04, “*Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill impairment*” (“ASU 2017-04”), which removes Step 2 of the goodwill impairment test. A goodwill impairment will now be determined by the amount by which a reporting unit’s carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. ASU 2017-04 is effective for annual reporting periods, and interim periods therein, beginning after December 15, 2019, with early adoption permitted. The Company does not expect the adoption of ASU 2017-04 to have a material impact on the Company’s consolidated financial statements.

3. Acquisition

On August 5, 2015, PFSweb, Inc. acquired substantially all of the assets, and assumed substantially all of the liabilities, in each case, other than certain specified assets and liabilities, of CrossView, Inc. (“CrossView”) an eCommerce systems integrator and provider of a wide range of eCommerce services in the U.S. and Canada.

Consideration paid by the Company included an initial cash payment of \$30.7 million and 553,223 unregistered shares of Company common stock. In addition, the purchase agreement provided for future earn-out payments (“CrossView Earn-out Payments”) payable in 2016, 2017 and 2018 based on the achievement of certain 2015, 2016 and 2017 financial targets. For the six months ended June 30, 2017 the Company paid an aggregate of \$2.4 million in settlement of the 2016 CrossView Earn-out Payments, of which \$0.4 million was paid by the issuance of 48,173 restricted shares of Company stock. For the six months ended June 30, 2018 the Company paid an aggregate of \$4.1 million in settlement of the 2017 CrossView Earn-out Payments, of which \$0.8 million was paid by the issuance of 76,998 restricted shares of Company stock. As of December 31, 2017, the Company had recorded a liability \$4.0 million applicable to the estimated CrossView Earn-out Payments, which is included in performance-based contingent payments in the consolidated balance sheet. As of June 30, 2018, the Company has no further liability for the Cross View Earn-out.

4. Revenue from Contracts with Clients and Customers

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the client or customer and is the unit of account in ASC 606. A contract’s transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

Our performance obligations for PFS Operations, includes distribution, contact center, order management and payment services, and for LiveArea Professional Services, include commerce strategy consulting, creative design and marketing support, and technology platform integration services. For contracts with multiple performance obligations, we allocate transaction price to each performance obligation using the stand alone selling price for the distinct good or service in the contract. The primary method used to calculate the standalone selling price is the list price, which includes margin, approach, under which we forecast our costs of satisfying a performance obligation and then add an appropriate margin for that distinct good or service. If a fixed fee is used, it is based on the underlying projected costs with a margin.

Implementation services related to setup costs for PFS Operations are not distinct within the context of the contract because of the inter-dependence of the integrating services with other services promised in the contract. It represents a bundle of services that reflect the combined output for which the client has contracted. These implementation revenues and costs are amortized from the first full month after go live through the end of the contract period. Transaction based fees are generally charged monthly based on volume and contract price.

Substantially all of our LiveArea professional services are satisfied over time, as the clients or customers simultaneously receive and consume the benefits provided by our service as they are performed. PFS Operations primarily consists of service fee revenue, which is made up of transaction items, such as shipments, which are recognized at a point in time, and services such as storage, which are recognized over time. In addition, PFS Operations has certain product revenue where it acts as a reseller, and when we determine we are the agent, recognizes net revenue at a point in time, typically at FOB shipping point. The transaction price for each performance obligation is based on the consideration specified in the contract with the client or customer and is reflected on the invoice. Additionally, for most of our Service Fee related revenue contracts, we have an enforceable right to payment for performance completed up to the termination date.

Remaining performance obligations represent the transaction price of firm orders for which work has yet not been performed. As of June 30, 2018, the aggregate amount of the transaction price allocated to remaining performance obligations was \$42.8 million. The Company expects to recognize revenue on approximately 23% of the remaining performance obligations in 2018, 59% through 2019, and the remaining recognized thereafter.

Revenue recognition timing and contract modifications

A number of factors relating to our business affect the recognition of contract revenue. We typically price our professional services contracts on either a time and materials, fixed-price or a cost-plus margin basis.

For fixed-price arrangements, we typically recognize revenue based on the input method, as we believe that hours expended over time proportionately, based on actual hours to budgeted hours during the period, provides the most relevant measure of progress for these contracts. For time and materials contracts, we recognize revenue monthly based on the actual hours worked at the labor rates by job category, and cost of materials plus margin. We recognize revenue for a performance obligation satisfied over time only if we can reasonably measure our progress toward complete satisfaction of the performance obligation. In some circumstances (for example, in the early stages of a contract), we may not be able to reasonably measure the outcome of a performance obligation, but we expect to recover the costs incurred in satisfying the performance obligation. In those circumstances, we shall recognize revenue only to the extent of the costs incurred until such time that we can reasonably measure the outcome of the performance obligation.

Contract modifications are routine in the performance of our contracts. Change orders that result from modification of an original contract are taken into consideration for revenue recognition when they result in a change of total contract value and are approved by our clients. In most instances, contract modifications are for services that are not distinct, and therefore, are accounted for as part of the existing contract. If the contract has significant scope changes, then it will be viewed as a separate contract and accounted for separately. Implementation/Integration service fees are considered part of an existing performance obligation, provided that they are dependent and interrelated to that existing performance obligation. On the PFS Operations side, those implementation revenues and costs are deferred and recognized over time, based on the term of the contract. If it was a significant scope change, then it would be accounted for as a separate performance obligation, deferred and amortized over the contract term.

Contract Assets and Contract Liabilities

Contract assets primarily relate to the Company's rights to consideration for work completed but not billed at the reporting date. The contract assets are reclassified as receivables when the rights become unconditional. The contract liabilities primarily relate to the advance consideration received from clients for client contracts, including amounts received for implementation services which are not distinct performance obligations.

The Company's payment terms vary by the type and location of our clients and the type of services offered. The term between invoicing and when payment is due is generally not significant.

Contract balances consisted of the following (in thousands):

	June 30, 2018	January 1, 2018
Trade Accounts Receivable		
Trade Accounts Receivable, net	\$ 52,823	\$ 70,923
Unbilled Accounts Receivable	371	172
Total Trade Accounts Receivable, net	<u>\$ 53,194</u>	<u>\$ 71,095</u>
Contract Liabilities		
Accrued Contract Liabilities	\$ 625	\$ 583
Deferred Revenue	8,266	10,697
Total Contract Liabilities	<u>\$ 8,891</u>	<u>\$ 11,280</u>

Changes in contract liabilities during the period was a decrease of \$2.4 million in our contract liabilities from January 1, 2018 to June 30, 2018, primarily due to an increase of approximately \$2.2 million from new projects, offset by approximately \$4.6 million of amortization and recognition of revenue in the six months ended June 30, 2018.

The timing of revenue recognition, billings and cash collections results in billed accounts receivable, unbilled receivables, and customer advances and deposits (contract liabilities) on the consolidated balance sheet.

Changes in the contract asset and liability balances during the six months ended June 30, 2018 were not materially impacted by any other factors.

The following table presents our revenues, excluding sales and usage-based taxes, disaggregated by revenue source (in thousands):

	Three Months Ended June 30, 2018			Six Months Ended June 30, 2018		
	PFS Operations	LiveArea Professional Services	Total	PFS Operations	LiveArea Professional Services	Total
Revenues:						
Service fee revenue	\$ 33,194	\$ 19,948	\$ 53,141	\$ 68,116	\$ 41,513	\$ 109,628
Product revenue, net	8,847	—	8,847	18,612	—	18,612
Pass-through revenue	14,574	488	15,063	26,374	857	27,232
Total revenues	<u>\$ 56,615</u>	<u>\$ 20,436</u>	<u>\$ 77,051</u>	<u>\$ 113,102</u>	<u>\$ 42,370</u>	<u>\$ 155,472</u>

The following table presents our revenues, excluding sales and usage-based taxes, disaggregated by region (in thousands):

	Three Months Ended June 30, 2018			Six Months Ended June 30, 2018		
	PFS Operations	LiveArea Professional Services	Total	PFS Operations	LiveArea Professional Services	Total
Revenues by region:						
North America	\$ 46,073	\$ 18,036	\$ 64,109	\$ 90,690	\$ 37,202	\$ 127,892
Europe	10,542	2,400	12,942	22,412	5,168	27,580
Total revenues	<u>\$ 56,615</u>	<u>\$ 20,436</u>	<u>\$ 77,051</u>	<u>\$ 113,102</u>	<u>\$ 42,370</u>	<u>\$ 155,472</u>

5. Inventory Financing

Supplies Distributors has a short-term credit facility with IBM Credit LLC (“IBM Credit Facility”) to finance its purchase and distribution of products of Ricoh Company Limited and Ricoh USA, Inc., a strategic business unit within the Ricoh Family Group of Companies (collectively hereafter referred to as “Ricoh”), in the United States, providing financing for eligible Ricoh inventory and certain receivables.

In January 2018, Supplies Distributors entered into Amendment No. 19 to the IBM Credit Facility. The Amended IBM Credit Facility adjusted the maximum borrowing under the facility from \$13.0 million to \$11.0 million and reduced the minimum PFS Subordinated Note receivable PFSweb is required to maintain from \$2.5 million to \$1.0 million.

Given the structure of this facility and as outstanding balances, which represent inventory purchases, are repaid within twelve months, the Company has classified the outstanding amounts under this facility, which were \$7.4 million and \$7.1 million as of June 30, 2018 and December 31, 2017, respectively, as trade accounts payable in the condensed consolidated balance sheets. As of June 30, 2018, Supplies Distributors had no available credit under this facility. Borrowings under the credit facility accrue interest, after a defined free financing period, at prime rate plus 0.5%, which resulted in a weighted average interest rate of 5.25% and 4.75% as of as of June 30, 2018 and December 31, 2017, respectively.

6. Debt and Capital Lease Obligations

Outstanding debt and capital lease obligations consist of the following (in thousands):

	June 30, 2018	December 31, 2017
U.S. Credit Agreement		
Revolver	\$ 14,000	\$ 13,234
Term loan	25,500	27,000
Equipment loan	3,740	4,205
Debt issuance costs	(305)	(376)
Master lease agreements	2,830	3,135
Other	101	128
Total	45,866	47,326
Less current portion of long-term debt	5,537	9,460
Long-term debt, less current portion	\$ 40,329	\$ 37,866

U.S. Credit Agreement

As of June 30, 2018, the Company had \$18.5 million of available credit under the revolving loan facility of the credit agreement of PFSweb, Inc. and its U.S. subsidiaries with Regions Bank, as agent for itself and one or more future lenders ("Credit Agreement"). As of June 30, 2018 and December 31, 2017, the weighted average interest rate on the revolving loan facility was 5.59% and 4.65%, respectively. As of June 30, 2018 and December 31, 2017, the weighted average interest rate on the term loan facility of the Credit Agreement was 4.38% and 4.05%, respectively.

7. Earnings Per Share

Basic net loss per common share was computed by dividing net loss by the weighted-average number of common shares outstanding for the reporting period. In periods when we recognize a net loss, we exclude the impact of outstanding common stock equivalents from the diluted loss per share calculation as their inclusion would have an antidilutive effect. As of June 30, 2018 and June 30, 2017, we had outstanding common stock equivalents of approximately 2.1 million and 1.6 million, respectively, that have been excluded from the calculations of diluted earnings per share attributable to common stockholders because their effect would have been antidilutive.

8. Segment Information

Prior to January 1, 2018, the Company's operations were organized into two reportable segments: PFSweb and Business and Retail Connect. In accordance with ASC 280, *Segment Reporting* ("ASC 280"), an operating segment is defined as a component of an enterprise for which discrete financial information is available and is reviewed regularly by the Chief Operating Decision Maker ("CODM"), or decision-making group, to evaluate performance and make operating decisions.

Effective January 1, 2018, we changed our organizational structure in an effort to create more effective and efficient operations and to improve client and service focus. In that regard, we revised the information that our chief executive officer and chief financial officer, who are also our Chief Operating Decision Makers, regularly review for purposes of allocating resources and assessing performance. As a result, beginning January 1, 2018, we now report our financial performance based on our new reportable segments. These segments are comprised of strategic businesses that are defined by the service offerings they provide and consist of PFS Operations (which provides client services in relation to the customer physical experience, such as order management (OMS), order fulfillment, customer care and financial services) and Professional Services LiveArea (which provides client services in relation to the digital shopping experience of shopping online, such as strategic commerce consulting, strategy, design and digital marketing services and technology services). Each segment is led by a separate Business Unit Executive who reports directly to the Company's Chief Executive Officer.

The CODM evaluates segment performance using business unit direct contribution, which is defined as business unit revenues less costs of fees and direct selling, general and administrative expenses, including depreciation and amortization. Direct contribution does not include any allocated corporate expenses nor does it include stock-based compensation. The CODM does not routinely review assets by segment. The balance sheet by segment is not prepared and, therefore, we do not present segment assets below.

Corporate operations is a non-operating segment that develops and implements strategic initiatives and supports the Company's operations by centralizing certain administrative functions such as finance, treasury, information technology and human resources.

All prior period segment information has been restated to conform to the 2018 presentation. The changes in the reportable segments have no effect on the consolidated balance sheets, statements of operations or cash flows for the periods presented.

Subsequent to change in the Company's operating segments, the Company's reporting units changed. We now have two reporting units: PFS Operations and LiveArea Professional Services. We allocated goodwill to our new reporting units using a relative fair value approach. In addition, we completed an assessment of any potential goodwill impairment for all reporting units immediately prior to and after the reallocation and determined that no impairment existed.

The following table discloses segment information for the periods presented (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenues:				
PFS Operations	\$ 56,615	\$ 55,660	\$ 113,102	\$ 113,896
LiveArea Professional Services	20,436	22,406	42,370	42,938
Total revenues	<u>\$ 77,051</u>	<u>\$ 78,066</u>	<u>\$ 155,472</u>	<u>\$ 156,834</u>
Business unit direct contribution:				
PFS Operations	\$ 6,488	\$ 5,026	\$ 12,820	\$ 9,934
LiveArea Professional Services	2,910	2,523	5,879	4,577
Total business unit direct contribution	<u>\$ 9,398</u>	<u>\$ 7,549</u>	<u>\$ 18,699</u>	<u>\$ 14,511</u>
Unallocated corporate expenses	(8,863)	(9,119)	(17,493)	(19,525)
Income (loss) from operations	<u>\$ 535</u>	<u>\$ (1,570)</u>	<u>\$ 1,204</u>	<u>\$ (5,014)</u>

9. Commitments and Contingencies

The Company received municipal tax abatements in certain locations. In prior years, the Company received notice from a municipality that it did not satisfy certain criteria necessary to maintain the abatements and that the municipal authority planned to make an adjustment to the Company's tax abatement. The Company disputed the adjustment and such dispute has been settled with the municipality. However, the amount of additional property taxes to be assessed against the Company and the timing of the related payments has not been finalized. As of June 30, 2018, the Company believes it has adequately accrued for the expected assessment.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our results of operations and financial condition should be read in conjunction with the unaudited condensed consolidated financial statements and related notes appearing elsewhere in this Form 10-Q.

Forward-Looking Information

We have made forward-looking statements in this Report on Form 10-Q. These statements are subject to risks and uncertainties, and there can be no guarantee that these statements will prove to be correct. Forward-looking statements include assumptions as to how we may perform in the future. When we use words like "seek," "strive," "believe," "expect," "anticipate," "predict," "potential," "continue," "will," "may," "could," "intend," "plan," "target," "project" and "estimate" or similar expressions, we are making forward-looking statements. We have based these statements on our current expectations about future events. Although we believe the expectations reflected in our forward-looking statements are reasonable, we cannot guarantee these expectations will actually be achieved. In addition, some forward-looking statements are based upon assumptions about future events that may not prove to be accurate. Therefore, actual outcomes and results may differ materially from what is expected or forecasted in such forward-looking statements. We undertake no obligation to update publicly any forward-looking statement for any reason, even if new information becomes available or other events occur in the future.

Risk factors set forth in Part I, Item 1A of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017 filed with the Securities and Exchange Commission could cause our results to differ materially from those expressed in our forward-looking statements.

Key Transactions and Events

During the three and six months ended June 30, 2018, we were impacted by the following key transactions and events:

- Effective January 1, 2018, we changed our organizational structure in an effort to create more effective and efficient operations and to improve client and service focus. As a result, beginning January 1, 2018, we report our financial performance based on our new reportable segments PFS Operations and LiveArea Professional Services. All prior period segment information has been restated to conform with the 2018 presentation. The changes in the reportable segments have no effect on the consolidated balance sheets, statements of operations and comprehensive loss or cash flows for the periods presented.
- We adopted Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers* ("ASC 606") on January 1, 2018. We used the modified retrospective method for the transition. Under the modified retrospective method, the cumulative effect of applying the new standard was recorded at January 1, 2018 for open contracts. Therefore, results for the three and six months ended June 30, 2018 and June 30, 2017 may not be comparable.

Overview

We are a global commerce solutions company. We manage the entire customer shopping experience for major branded manufacturers and retailers through two business segments, LiveArea Professional Services and PFS Operations. The LiveArea Professional Services segment provides services in relation to the digital shopping experience of shopping online, such as strategic commerce consulting, strategy, design and digital marketing services and technology services. The PFS Operations segment provides services in relation to the physical experience, such as order management, order fulfillment, customer care and payment services. We offer our services on an a la carte basis or as a complete end-to-end solution.

Service Fee Model. We refer to our standard seller services financial model for both of our business segments as the Service Fee model. In this model, our clients own the inventory and are the merchants of record and engage us to provide various infrastructure, technology and digital agency services in support of their business operations. We derive our service fee revenues from a broad range of service offerings that include digital agency and marketing, eCommerce technologies, system integration, order management, customer care, logistics and fulfillment, financial management and professional consulting. We offer our services as an integrated solution, which enables our clients to outsource their complete eCommerce needs to a single source and to focus on their core competencies, though clients are also able to select individual or groupings of our various service offerings on an à la carte basis. We currently provide services to clients that operate in a range of vertical markets, including technology manufacturing, computer products, cosmetics, fragile goods, coins and collectibles, apparel, telecommunications, consumer electronics and consumer packaged goods, among others.

In the Service Fee model, we typically charge for our services on time and material basis, a cost-plus basis, a percent of shipped revenue basis, project or retainer basis for our professional services or a per-transaction basis, such as a per-labor hour basis for web-enabled customer contact center services and a per-item basis for fulfillment services. Additional fees are billed for other services. We price our services based on a variety of factors, including the depth and complexity of the services provided, the amount of capital expenditures or systems customization required, the length of contract and other factors.

Many of our service fee contracts involve third-party vendors who provide additional services, such as package delivery. The costs we are charged by these third-party vendors for these services are often passed on to our clients. Our billings for reimbursements of these costs and other 'out-of-pocket' expenses include travel, shipping and handling costs and telecommunication charges and are included in pass-through revenue.

Agent (Flash) Model. In our PFS Operations business unit, as an additional service, we offer the Agent, or Flash, financial model, in which our clients maintain ownership of the product inventory stored at our locations as in the Service Fee model. When a customer orders the product from our clients, a "flash" sale transaction passes product ownership to us for each order and we in turn immediately re-sell the product to the customer. The "flash" ownership exchange establishes us as the merchant of record, which enables us to use our existing merchant infrastructure to process sales to end customers, removing the need for the clients to establish these business processes internally, but permitting them to control the sales process to end customers. In this model, based on the terms of our current client arrangements, we record product revenue net of cost of product revenue as a component of service fee revenue in our consolidated statement of operations.

Retail Model. Our PFS Operations business unit also provides a Retail model allows us to purchase inventory from the client. We place the initial and replenishment purchase orders with the client and take ownership of the product upon delivery to our facility. In this model, depending on the terms of our client arrangements, we may own the inventory and the accounts receivable arising from our product sales. Under the Retail model, depending upon the product category and sales characteristics, we may require the client to provide product price protection as well as product purchase payment terms, right of return, and obsolescence protection appropriate to the product sales profile. Depending on the terms of our client arrangements in the Retail model, we record in our consolidated statement of operations either: 1) product revenue as a component of product revenue, or 2) product revenue net of cost of product revenue as a component of service fee revenue. In general, we seek to structure client relationships in our Retail model under the net revenue approach to more closely align with our service fee revenue financial presentation and mitigate inventory ownership, although we have one client still utilizing the gross revenue approach. Freight costs billed to customers are reflected as components of product revenue. This business model generally requires significant working capital, for which we have credit available either through credit terms provided by our clients or under senior credit facilities.

Growth is a key element to achieving our future goals, including achieving and maintaining sustainable profitability. Growth in our Service Fee and Agent models is driven by two main elements: new client relationships and organic growth from existing clients. We focus our sales efforts on larger contracts with brand-name companies within four primary target markets, health and beauty, home goods and collectibles, fashion and consumer packaged goods, which, by nature, require a longer duration to close but also have the potential to be higher quality and longer duration engagements. Through recent acquisitions, we have expanded our service offering capabilities and added new client relationships, which we currently expect to enhance our growth opportunities.

Currently, we are targeting growth within our Retail model to be through relationships with clients under which we can record service fee revenue in our consolidated statement of operations as opposed to product revenue as generated in the Agent or Flash model above. These relationships are often driven by the sales and marketing efforts of the manufacturers and third party sales partners. In addition, as a result of certain operational restructuring of its business, our primary client relationship operating in the Retail model, Ricoh, has implemented, and will continue to implement, certain changes in the sale and distribution of Ricoh products. The changes have resulted, and are expected to continue to result, in reduced product revenues and profitability under our Retail model.

We continue to monitor and control our costs to focus on profitability. While we are targeting our new service fee contracts to yield incremental gross profit, we also expect to incur incremental investments in technology development, operational and support management and sales and marketing expenses to help generate growth.

Our expenses comprise primarily four categories: 1) cost of service fee revenue, 2) cost of product revenue, 3) cost of pass-through revenue and 4) selling, general and administrative expenses.

Cost of service fee revenue – consists primarily of compensation and related expenses for our web-enabled customer contact center services, international fulfillment and distribution services and professional, digital agency and technology services, and other fixed and variable expenses directly related to providing services under the terms of fee based contracts, including certain occupancy and information technology costs and depreciation and amortization expenses.

Cost of product revenue – consists of the purchase price of product sold and freight costs, which are reduced by certain reimbursable expenses. These reimbursable expenses include pass-through customer marketing programs, direct costs incurred in passing on any price decreases offered by vendors to cover price protection and certain special bids, the cost of products provided to replace defective product returned by customers and certain other expenses as defined under the distributor agreements.

Cost of pass-through revenue – the related reimbursable costs for pass-through expenditures are reflected as cost of pass-through revenue.

Selling, General and Administrative expenses – consist of expenses such as compensation and related expenses for sales and marketing staff, distribution costs (excluding freight) applicable to the Agent and the Retail model, executive, management and

administrative personnel and other overhead costs, including certain occupancy and information technology costs and depreciation and amortization expenses and acquisition related costs.

Monitoring and controlling our available cash balances and our expenses continues to be a primary focus. Our cash and liquidity positions are important components of our financing of both current operations and our targeted growth.

Operating Results

The following table discloses certain financial information for the periods presented, expressed in terms of dollars, dollar change, percentage change and as a percentage of total revenues (in thousands, except percentages):

	Three Months Ended June 30,			% of Total Revenues		Six Months Ended June 30,			% of Total Revenues	
	2018	2017	Change	2018	2017	2018	2017	Change	2018	2017
Revenues										
Service fee revenue	\$ 53,141	\$ 54,700	\$ (1,559)	69.0%	70.1%	\$ 109,628	\$ 111,965	\$ (2,337)	70.5%	71.4%
Product revenue, net	8,847	9,947	(1,100)	11.5%	12.7%	18,612	21,265	(2,653)	12.0%	13.6%
Pass-through revenue	15,063	13,419	1,644	19.5%	17.2%	27,232	23,604	3,628	17.5%	15.1%
Total revenues	77,051	78,066	(1,015)	100.0%	100.0%	155,472	156,834	(1,362)	100.0%	100.1%
Costs of Revenues										
Cost of service fee revenue (1)	33,294	35,977	(2,683)	62.7%	65.8%	68,902	75,561	(6,659)	62.9%	67.5%
Cost of product revenue (2)	8,403	9,505	(1,102)	95.0%	95.6%	17,719	20,230	(2,511)	95.2%	95.1%
Pass-through cost of revenue (3)	15,063	13,419	1,644	100.0%	100.0%	27,232	23,604	3,628	100.0%	100.0%
Total costs of revenues	56,760	58,901	(2,141)	73.7%	75.5%	113,853	119,395	(5,542)	73.2%	76.1%
Service fee gross profit (1)	19,847	18,723	1,124	37.3%	34.2%	40,726	36,404	4,322	37.1%	32.5%
Product revenue gross profit (2)	444	442	2	5.0%	4.4%	893	1,035	(142)	4.8%	4.9%
Pass-through gross profit (3)	—	—	—	0.0%	0.0%	—	—	—	0.0%	0.0%
Total gross profit	20,291	19,165	1,126	26.3%	24.5%	41,619	37,439	4,180	26.8%	23.9%
Selling General and Administrative expenses										
Administrative expenses	19,756	20,735	(979)	25.6%	26.6%	40,415	42,453	(2,038)	26.0%	27.1%
Income (loss) from operations	535	(1,570)	2,105	0.7%	-2.0%	1,204	(5,014)	6,218	0.8%	-3.2%
Interest expense, net	585	710	(125)	0.8%	0.9%	1,190	1,347	(157)	0.8%	0.9%
Income (loss) before income taxes	(50)	(2,280)	2,230	-0.1%	-2.9%	14	(6,361)	6,375	0.0%	-4.1%
Income tax expense, net	576	316	260	0.7%	0.4%	1,389	1,091	298	0.9%	0.7%
Net loss	\$ (626)	\$ (2,596)	\$ 1,970	-0.8%	-3.3%	\$ (1,375)	\$ (7,452)	\$ 6,077	-0.9%	-4.8%

- (1) Represents the percent of Service fee revenue.
- (2) Represents the percent of Product revenue, net.
- (3) Represents the percent of Pass-through revenue.

Segment Operating Data

PFS Operations (in thousands, except percentages)

	Three Months Ended June 30,				Six Months Ended June 30,			
	2018	2017	Change	Change %	2018	2017	Change	Change %
Revenues:								
Service fee revenue	\$ 33,194	\$ 32,634	\$ 560	2%	\$ 68,116	\$ 69,641	\$ (1,525)	(2)%
Product revenue, net	8,847	9,947	\$ (1,100)	(11)%	18,612	21,265	\$ (2,653)	(12)%
Pass-through revenue	14,574	13,079	1,495	11%	26,374	22,990	3,384	15%
Total revenues	\$ 56,615	\$ 55,660	\$ 955	2%	\$ 113,102	\$ 113,896	\$ (794)	(1)%
Costs of revenues:								
Cost of service fee revenue	\$ 22,964	\$ 25,254	\$ (2,290)	(9)%	\$ 48,303	\$ 54,623	\$ (6,320)	(12)%
Cost of product revenue	8,403	9,505	(1,102)	(12)%	17,719	20,230	(2,511)	(12)%
Cost of pass-through revenue	14,574	13,079	1,495	11%	26,374	22,990	3,384	15%
Total costs of revenues	\$ 45,941	\$ 47,838	\$ (1,897)	(4)%	\$ 92,396	\$ 97,843	\$ (5,447)	(6)%
Gross profit	\$ 10,674	\$ 7,822	\$ 2,852	36%	\$ 20,706	\$ 16,053	\$ 4,653	29%
Direct operating expenses	4,186	2,796	1,390	50%	7,886	6,119	1,767	29%
Direct contribution	\$ 6,488	\$ 5,026	\$ 1,462	29%	\$ 12,820	\$ 9,934	\$ 2,886	29%

PFS Operations total revenues for the three months ended June 30, 2018 increased by \$1.0 million compared with the corresponding period in 2017. Service fee revenue increased \$0.6 million due to the new and expanded client relationships, partially offset by the impact of client transitions, including certain lower-margin engagements. Product revenue, net, decreased by \$1.1 million due to the revenue stream being primarily dependent on one client, which restructured its operations and discontinued certain product lines which has resulted, and is expected to continue to result, in reduced product revenue activity.

PFS Operations total revenues for the six months ended June 30, 2018 decreased by \$0.8 million compared with the corresponding period in 2017. Service fee revenue decreased \$1.5 million, primarily due to the impact of client transitions, including certain lower-margin engagements, partially offset by new and expanded client relationships. Product revenue, net, decreased \$2.7 million as a result of the client's operational restructuring changes discussed above.

PFS Operations gross margin improved to 18.9% for the three months ended June 30, 2018 as compared to 14.1% in the same period of the prior year due to an increase in service fee related gross margin, which increased to 30.8% for the three months ended June 30, 2018 as compared to 22.6% in the prior year.

PFS Operations gross margin improved to 18.3% for the six months ended June 30, 2018 as compared to 14.1% in the same period of the prior year due to an increase in service fee related gross margin, which increased to 29.1% for the six months ended June 30, 2018 as compared to 21.6% in the prior year. The service fee gross margin increase in both the three and six-month periods ended June 30, 2018 were primarily due to the transition of certain lower margin engagements, improved operational efficiency and focus on higher margin service offerings.

Direct operating expenses increased by \$1.4 million for the three months ended June 30, 2018 compared to the corresponding period in 2017 and by \$1.8 million for the six months ended June 30, 2018 compared to the corresponding period in 2017. The increase in both periods was primarily due to higher personnel and facility costs.

LiveArea Professional Services (in thousands, except percentages)

	Three Months Ended June 30,				Six Months Ended June 30,			
	2018	2017	Change	Change %	2018	2017	Change	Change %
Revenues:								
Service fee revenue	\$ 19,948	\$ 22,066	\$ (2,118)	(10)%	\$ 41,513	\$ 42,324	\$ (811)	(2)%
Pass-through revenue	488	340	148	44%	857	614	243	40%
Total revenues	\$ 20,436	\$ 22,406	\$ (1,970)	(9)%	\$ 42,370	\$ 42,938	\$ (568)	(1)%
Costs of revenues:								
Cost of service fee revenue	\$ 10,331	\$ 10,723	\$ (392)	(4)%	\$ 20,600	\$ 20,938	\$ (338)	(2)%
Cost of pass-through revenue	488	340	148	44%	857	614	243	40%
Total costs of revenues	\$ 10,819	\$ 11,063	\$ (244)	(2)%	\$ 21,457	\$ 21,552	\$ (95)	(0)%
Gross profit	\$ 9,617	\$ 11,343	\$ (1,726)	(15)%	\$ 20,913	\$ 21,386	\$ (473)	(2)%
Direct operating expenses	6,707	8,820	(2,113)	(24)%	15,034	16,809	(1,775)	(11)%
Direct contribution	\$ 2,910	\$ 2,523	\$ 387	15%	\$ 5,879	\$ 4,577	\$ 1,302	28%

LiveArea Professional Services revenues for the three and six months ended June 30, 2018 decreased by \$2.0 million and \$0.6 million, respectively, as compared with the corresponding periods in 2017. The decreases in revenues are primarily due to reduced technology services project activity for certain clients as well as client transitions, partially offset by increased service fee revenue from new and expanded client relationships.

LiveArea Professional Services gross margin decreased to 47.1% from 50.6% in the three months ended June 30, 2018, and to 49.4% from 49.8% in the six months ended June 30, 2018, as compared to the corresponding periods of the prior year. The decreases in gross margin are primarily applicable to higher than expected costs incurred on certain client projects.

Direct operating expenses decreased by \$2.1 million and \$1.8 million for the three and six months ended June 30, 2018, respectively, compared to the corresponding period in 2017. The decreases were primarily due to lower personnel and contractor costs.

Corporate (in thousands, except percentages)

	Three Months Ended June 30,				Six Months Ended June 30,			
	2018	2017	Change	Change %	2018	2017	Change	Change %
Unallocated corporate expenses	\$ 8,863	\$ 9,119	\$ (256)	(3)%	\$ 17,493	\$ 19,525	\$ (2,032)	(10)%

Unallocated corporate expenses decreased by \$0.3 million for the three months ended June 30, 2018 compared to the corresponding period in 2017. The decrease was primarily due to a decrease in personnel related costs, partially offset by an increase in professional services, stock-based compensation expenses and certain technology systems costs.

Unallocated corporate expenses decreased by \$2.0 million for the six months ended June 30, 2018 compared to the corresponding period in 2017. The decrease was primarily due to a \$2.1 million decrease in earnout expense related to our performance-based contingent payments applicable to our 2015 acquisition of CrossView, Inc., and a \$0.8 million decrease in severance costs which was partially offset by an increase in professional services, stock-based compensation expenses and certain technology systems costs.

Income Taxes

During the three months ended June 30, 2018, we recorded a tax provision of \$0.6 million comprised primarily of \$0.3 million related to the majority of our international operations, \$0.2 million related to state income taxes, and \$0.1 million associated with the tax amortization of goodwill relation to our CrossView acquisition. A valuation allowance has been provided for the majority of our domestic net deferred tax assets, which are primarily related to our net operating loss carryforwards, and for certain foreign deferred tax assets.

During the six months ended June 30, 2018, we recorded a tax provision of \$1.4 million comprised primarily of \$0.9 million related to the majority of our international operations, \$0.3 million related to state income taxes, and \$0.2 million associated with the tax amortization of goodwill relation to our CrossView acquisition. A valuation allowance has been provided for the majority of our domestic net deferred tax assets, which are primarily related to our net operating loss carryforwards, and for certain foreign deferred tax assets.

For the six months ended June 30, 2018 and 2017, the Company has utilized the discrete effective tax rate method, as allowed by Accounting Standards Codification (“ASC”) 740-270-30-18, “Income Taxes—Interim Reporting,” to calculate its interim income tax provision. The discrete method is applied when the application of the estimated annual effective tax rate is impractical because it is not possible to reliably estimate the annual effective tax rate. The discrete method treats the year to date period as if it was the annual period and determines the income tax expense or benefit on that basis. The Company believes that, at this time, the use of this discrete method is more appropriate than the annual effective tax rate method as (i) the estimated annual effective tax rate method is not reliable due to the high degree of uncertainty in estimating annual pretax earnings and (ii) the Company’s ongoing assessment that the recoverability of its deferred tax assets is not likely in several jurisdictions.

On December 22, 2017, the United States government enacted the Tax Cuts and Jobs Act, commonly referred to as the Tax Reform Act. The Tax Reform Act includes significant changes to the U.S. income tax system, including, but not limited to: a federal corporate rate reduction from 35% to 21%; limitations on the deductibility of interest expense and executive compensation; repeal of the Alternative Minimum Tax (“AMT”); full expensing provisions related to business assets; creation of new minimum taxes, such as the base erosion anti-abuse tax (“BEAT”) and Global Intangible Low Taxed Income (“GILTI”) tax; and the transition of U.S. international taxation from a worldwide tax system to a modified territorial tax system, which will result in a one-time U.S. tax liability on those earnings which have not previously been repatriated to the U.S. (the “Transition Tax”). The provisional impacts of this legislation are outlined below:

- Beginning January 1, 2018, the U.S. corporate income tax rate is 21%. The Company is required to recognize the impacts of this rate change on its deferred tax assets and liabilities in the period enacted. At December 31, 2017, we remeasured certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally 21%. However, we are still analyzing certain aspects of the Tax Reform Act and refining our calculations, which could potentially affect the measurement of these balances or potentially give rise to new deferred tax amounts. The provisional amount related to the remeasurement of our deferred tax balance was \$12.1 million that was mostly offset by a change in the valuation allowance, except for a \$0.6 million benefit that was recorded to our income statement related to tax amortization of goodwill for the period ended December 31, 2017.
- The Transition Tax on unrepatriated foreign earnings is a tax on previously untaxed accumulated and current earnings and profits (“E&P”) of the Company’s foreign subsidiaries. To determine the amount of the Transition Tax, the Company must determine, among other factors, the amount of post-1986 E&P of its foreign subsidiaries, as well as the amount of non-U.S. income taxes paid on such earnings. Based on the Company’s reasonable estimate of the Transition Tax, there is no provisional Transition Tax expense. The Company has not completed accounting for the income tax effects of the transition tax and is continuing to evaluate this provision of the Tax Reform Act.
- The Tax Reform Act creates a new requirement that Global Intangible Low Tax Income (“GILTI”) earned by foreign subsidiaries must be included currently in the gross income of the U.S. shareholder. Due to the complexity of the new GILTI tax rules, the Company is continuing to evaluate this provision of the Tax Reform Act. Under U.S. GAAP, the Company is permitted to make an accounting policy election to either treat taxes due on future inclusions in U.S. taxable income related to GILTI as a current period expense when incurred or to factor such amounts into the Company’s measurement of its deferred taxes. The Company has not yet completed its analysis of the GILTI tax rules and is not yet able to reasonably estimate the effect of this provision of the Tax Reform Act or make an accounting policy election for the accounting treatment whether to record deferred taxes attributable to the GILTI tax. The Company has not recorded any amounts related to potential GILTI tax in the Company’s consolidated financial statements.

The income tax effects recorded in the Company’s consolidated financial statements as a result of the Tax Reform Act are provisional in accordance with ASU 2018-05, ASU 2018-05, “*Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118*” (“SAB 118”) (“ASU 2018-05”), as the Company has not yet completed its evaluation of the impact of the new law. SAB 118 allows for a measurement period of up to one year after the enactment date of the Tax Reform Act to finalize the recording of the related tax impacts.

The preliminary net tax effects recorded may differ in the future due to changes in the interpretations of the Tax Reform Act, legislative action, and changes to estimates we have utilized to calculate the tax impact. We expect to finalize the tax analysis related to the Tax Reform Act with the filing of our tax return and record any differences between the final and provisional amounts in the 2018 fourth quarter at that time, if any.

Liquidity and Capital Resources

We currently believe our cash position, financing available under our credit facilities and funds generated from operations will satisfy our presently known operating cash needs, our working capital and capital expenditure requirements, our current debt and lease obligations, and additional loans to our subsidiaries, if necessary, for at least the next twelve months.

Our cash position decreased in the six months ended June 30, 2018 primarily from using cash generated from operations to make payment for the cash portion of the CrossView Eamout of approximately \$3.3 million, capital expenditures and payments on our outstanding debt obligations.

Cash Flows from Operating Activities

During the six months ended June 30, 2018, net cash provided from operations was \$2.7 million, compared to \$3.4 million in the same period of the prior year. Cash flow benefits due to decreases in accounts receivable, prepaid expenses, other receivables and other assets were partially offset by decreases in accounts payable, deferred revenues, accrued expenses and other liabilities.

Cash Flows from Investing Activities

Cash used in investing activities included capital expenditures of \$1.9 million during the six months ended June 30, 2018 compared to \$2.0 million in the same period of 2017, exclusive of property and equipment acquired under debt and capital lease financing, which consisted primarily of capitalized software costs and equipment purchases.

Capital expenditures have historically consisted of additions to upgrade our management information systems, development of customized technology solutions to support and integrate with our service fee clients and general expansion and upgrades to our facilities, both domestic and foreign. We expect to incur capital expenditures to support new contracts and anticipated future growth opportunities. Based on our current client business activity and our targeted growth plans, we anticipate our total investment in upgrades and additions to facilities and information technology solutions and services for the upcoming twelve months, including costs to implement new clients, will be approximately \$7.0 million to \$10.0 million, although additional capital expenditures may be necessary to support the infrastructure requirements of new clients. To maintain our current operating cash position, a portion of these expenditures may be financed through client reimbursements, debt, operating or capital leases or additional equity. We may elect to modify or defer a portion of such anticipated investments in the event that we do not obtain the financing results necessary to support such investments.

Cash Flows from Financing Activities

During the six months ended June 30, 2018 and 2017, cash used in financing activities was \$5.6 million and \$8.5 million, respectively, primarily related to performance-based contingent payments and repayments on our debt and capital lease obligations, partially offset by borrowings under our revolving loan.

Working Capital

During the six months ended June 30, 2018, our working capital increased to \$19.5 million as of June 30, 2018 compared to \$13.7 million at December 31, 2017. This increase was primarily related to income generated from operations before working capital changes and increases in long-term debt, partially offset by capital expenditures.

To obtain additional financing in the future, in addition to our current cash position, we plan to evaluate various financing alternatives including the sale of equity, utilizing capital or operating leases, borrowing under our credit facilities, expanding our current credit facilities or entering into new debt agreements. No assurances can be given we will be successful in obtaining any additional financing or the terms thereof. We currently believe our cash position, financing available under our credit facilities and funds generated from operations will satisfy our presently known operating cash needs, our working capital and capital expenditure requirements, our current debt and lease obligations, and additional loans to our subsidiaries, if necessary, for at least the next twelve months.

Our term and revolving loan facilities described below contain both financial and non-financial covenants. To the extent we fail to comply with our debt covenants, including the financial covenant requirements, and we are not able to obtain a waiver, the lenders would be entitled to accelerate the repayment of any outstanding credit facility obligations, and exercise all other rights and remedies, including sale of collateral. An acceleration of the repayment of our credit facility obligations may have a material adverse impact on our financial condition and results of operations. We can provide no assurance we will have the financial ability to repay all such obligations. As of June 30, 2018, we were in compliance with all debt covenants. Further, non-renewal of any of our credit facilities may have a material adverse impact on our business and financial condition.

Inventory Financing

To finance its distribution of Ricoh products in the U.S., Supplies Distributors has a short-term credit facility with IBM Credit LLC ("IBM Credit") that provides financing for eligible inventory and certain receivables. We have provided a collateralized guarantee to secure the repayment of this credit facility. The IBM Credit facility does not have a stated maturity and both parties have the ability to exit the facility following a 90-day notice. The Company has direct vendor credit terms with Ricoh to finance Supplies Distributors European subsidiary's inventory purchases.

This credit facility contains various restrictions upon the ability of Supplies Distributors and its subsidiaries to, among other things, merge, consolidate, sell assets, incur indebtedness, make loans, investments and payments to related parties (including entities directly or indirectly owned by PFSweb, Inc.), provide guarantees, make investments and loans, pledge assets, make changes to capital

stock ownership structure and pay dividends, as well as financial covenants, such as annualized revenue to working capital, net profit after tax to revenue and total liabilities to tangible net worth, as defined, and are secured by all of the assets of Supplies Distributors, as well as a collateralized guaranty of PFSweb. Additionally, we are required to maintain a subordinated loan to Supplies Distributors, not maintain restricted cash of more than \$5.0 million, and are restricted with regard to transactions with related parties, indebtedness and changes to capital stock ownership. Furthermore, we are obligated to repay any over-advance made to Supplies Distributors or its subsidiaries under these facilities if they are unable to do so. We have also provided a guarantee of substantially all of the obligations of Supplies Distributors and its subsidiaries to IBM Credit and Ricoh.

In January 2018, Supplies Distributors entered into Amendment No. 19 to the IBM Credit Facility. The Amended IBM Credit Facility adjusted the maximum borrowing under the facility from \$13.0 million to \$11.0 million and reduced the minimum PFS Subordinated Note receivable PFSweb is required to maintain from \$2.5 million to \$1.0 million.

Debt and Capital Lease Obligations

U.S. Credit Agreement. In August 2015, we entered into a credit agreement (“Credit Agreement”) with Regions Bank, as agent for itself, Bank of America N.A., HSBC Bank USA, National Association and one or more future lenders (the “Lenders”). Under this Credit Agreement, and subject to the terms set forth therein, the Lenders have agreed to provide a revolving loan facility for up to \$32.5 million and a term loan facility for up to \$30 million. Subject to the terms of the Credit Agreement, we have the ability to increase the total loan facilities to \$75 million. Availability under the revolving loan facility, which was approximately \$18.5 million as of June 30, 2018, may not exceed a borrowing base of eligible accounts receivable (as defined). Advances under the Credit Agreement accrue interest at a variable rate, plus an applicable margin, and have a five-year maturity, with scheduled amortization payments for term loan advances. The Credit Agreement is secured by a lien on substantially all of the assets of the Company and its U.S. subsidiaries and a pledge of 65% of the shares of certain of the Company’s foreign subsidiaries. The Credit Agreement contains cross default provisions, various restrictions upon our ability to, among other things, merge, consolidate, sell assets, incur indebtedness, make loans and payments to subsidiaries, affiliates and related parties, make capital expenditures, make investments and loans, pledge assets, make changes to capital stock ownership structure, as well as financial covenants, as defined, of a minimum fixed charge ratio and a maximum leverage ratio. In June 2016, PFSweb also entered into a Master Agreement with Regions Bank to provide equipment loans financing for certain capital expenditures.

Master Lease Agreements. The Company has various agreements that provide for leasing or financing transactions of equipment and other assets and will continue to enter into such arrangements as needed to finance the purchasing or leasing of certain equipment or other assets. Borrowings under these agreements, which generally have terms of three to five years, are generally secured by the related equipment, and in certain cases, by a Company parent guarantee.

Other than our capital and operating lease commitments, we do not have any other material financial commitments, although future client contracts may require capital expenditures and lease commitments to support the services provided to such clients.

ITEM 3. Quantitative and Qualitative Disclosure about Market Risk

Not applicable.

ITEM 4. Controls and Procedures

Disclosure Controls and Procedures

We maintain a comprehensive set of disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (“Exchange Act”). As of June 30, 2018, an evaluation of the effectiveness of our disclosure controls and procedures was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, these disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

During the three months ended June 30, 2018, there was no change in internal control over financial reporting (as defined in Rule 13a-15(f) or Rule 15d-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

None.

ITEM 1A. Risk Factors

There have been no material changes from the risk factors disclosed in Part I, Item 1A. of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017 filed with the Securities and Exchange Commission.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

ITEM 3. Defaults Upon Senior Securities

None.

ITEM 4. Mine Safety Disclosures

Not applicable.

ITEM 5. Other Information

None.

ITEM 6. Exhibits

a) Exhibits:

<u>Exhibit No.</u>	<u>Description of Exhibits</u>
3.1 (1)	Amended and Restated Certificate of Incorporation of PFSweb, Inc.
3.1.1 (2)	Certificate of Amendment of Certificate of Incorporation of PFSweb, Inc.
3.1.2 (4)	Certificate of Amendment to Certificate of Incorporation of PFSweb, Inc.
3.1.3 (5)	Certificate of Amendment to Certificate of Incorporation of PFSweb, Inc.
3.1.4 (7)	Certificate of Amendment to Amended and Restated Certificate of Incorporation of PFSweb, Inc.
3.2 (1)	Amended and Restated By-Laws.
3.2.1 (3)	Amendment to the Amended and Restated By-Laws of PFSweb, Inc.
3.2.2 (6)	Amendment to the Amended and Restated By-Laws of PFSweb, Inc.
3.2.3 (7)	Amendments to the Amended and Restated By-Laws of PFSweb, Inc.
4.1 (10)	Amendment No. 7 to Rights Agreement, dated as of June 27, 2018 between the Company and Computershare Inc., successor in interest to Computershare Shareowner Services LLC (formerly known as Mellon Investor Services LLC), as successor to ChaseMellon Shareholder Services, LLC., as rights agent.
10.77 (11)	Form of 2018 LTI TSR Executive Performance Share Award.
10.78 (11)	Form of 2018 LTI Time Based Restricted Stock Unit Award.
10.79 (11)	Form of 2018 STI Company Performance Based Share Award.
10.80 (11)	Form of 2018 STI Company Performance Based Cash Award.
10.81 (11)	Form of 2018 LTI Non-Executive Time and Performance-Based Restricted Stock Unit Award.
10.82 (11)	Form of Deferred Stock Unit.
31.1 (10)	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2 (10)	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1 (10)	Certifications of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS (10)	XBRL Instance Document.
101.SCH (10)	XBRL Taxonomy Extension Schema.
101.CAL (10)	XBRL Taxonomy Extension Calculation Linkbase.
101.DEF (10)	XBRL Taxonomy Extension Definition Linkbase.
101.LAB (10)	XBRL Taxonomy Extension Label Linkbase.
101.PRE (10)	XBRL Taxonomy Extension Presentation Linkbase.
(1)	Incorporated by reference from PFSweb, Inc. Registration Statement on Form S-1 (Commission File No. 333-87657).
(2)	Incorporated by reference from PFSweb, Inc. Form 10-K for the fiscal year ended December, 31, 2005 filed on March 31, 2006.
(3)	Incorporated by reference from PFSweb, Inc. Report on Form 8-K filed on November 13, 2007.
(4)	Incorporated by reference from PFSweb, Inc. Report on Form 8-K filed on June 2, 2008.
(5)	Incorporated by reference from PFSweb, Inc. Form 10-Q filed on August 14, 2009.
(6)	Incorporated by reference from PFSweb, Inc. Report on Form 8-K filed on July 2, 2010.
(7)	Incorporated by reference from PFSweb, Inc. Report on Form 8-K filed on July 18, 2013.
(8)	Incorporated by reference from PFSweb, Inc. Report on Form 8-K filed on June 19, 2015.
(9)	Incorporated by reference from PFSweb, Inc. Report on Form 8-K filed on July 30, 2015.
(10)	Incorporated by reference from PFSweb, Inc. Report on Form 8-K filed on June 28, 2018.
(11)	Filed Herewith.

SIGNATURES

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

Date: August 9, 2018

PFSweb, Inc.

By: /s/ Thomas J. Madden
Thomas J. Madden
Chief Financial Officer
Chief Accounting Officer
Executive Vice President

2018 LTI TSR EXECUTIVE PERFORMANCE SHARE AWARD AGREEMENT

This Agreement (this "**Agreement**") is made and entered into as of April 9, 2018 (the "**Grant Date**") by and between PFSWEB, INC., a Delaware corporation (the "**Company**") and the individual identified as the Grantee on the signature page hereof (the "**Grantee**").

WHEREAS, the Company has adopted the 2005 Employee Stock and Incentive Plan (the "**Plan**," terms defined in the Plan having the same meaning when so used herein) pursuant to which Performance Share Awards may be granted; and

WHEREAS, the Committee has approved the issuance of the Performance Share Award provided for herein.

NOW, THEREFORE, the parties hereto, intending to be legally bound, agree as follows:

1. Definitions. The following terms (not otherwise defined herein), when used in this Agreement, shall have the following meanings, unless the context clearly requires otherwise (such definitions to be equally applicable to both the singular and plural of the defined terms).

"**Achievement Level**" shall be determined for each Performance Period by calculating the TSR for the Company and each company in the Comparison Group and then ranking the TSR values from low to high (with the company having the lowest TSR being ranked number 1, the company with the second lowest TSR ranked number 2 and so on) and determining the Company's percentile rank based upon its position in the list by dividing the Company's position by the total number of companies (including the Company) in the Comparison Group and rounding the quotient to the nearest hundredth. For example, if the Company were ranked 60 on a list of 80 companies (including the Company), its percentile rank would be the 75th percentile. For purposes of the foregoing, the determination of the Achievement Level percentile shall be rounded to the nearest whole number (e.g., the 49.75th percentile shall be rounded to the 50th percentile).

"**Annual Percentage**" means the percentage so designated on the signature page hereof.

"**Annual Performance Period**" means, as applicable (i) the period from the Grant Date to December 31, 2018 (the "**First Performance Period**"), (ii) the period from January 1, 2019 to December 31, 2019 (the "**Second Performance Period**"), and (iii) the period from January 1, 2020 to December 31, 2020 (the "**Third Performance Period**").

"**Award Percentage**" means the following based upon the corresponding Achievement Level:

Achievement Level	Award Percentage
Less than 50 th percentile	0%
50 th percentile	50%
75 th percentile or above	130%

If the Achievement Level is above the 50th percentile and below the 75th percentile, the Award Percentage shall be determined by linear interpolation.

“**Comparison Group**” means, for each Performance Period, the companies that are included in the Index as of the first and last day of the Performance Period (except as otherwise set forth in the definition of TSR).

“**Cumulative Percentage**” means the percentage so designated on the signature page hereof.

“**Cumulative Performance Period**” means, as applicable (i) the period from the Grant Date to December 31, 2019, and (ii) the period from the Grant Date to December 31, 2020.

“**Fiscal Year**” shall mean the 12-consecutive-month period beginning on January 1 and ending on December 31, so that, by way of example, Fiscal Year 2018 shall mean the 12-consecutive-month period beginning on January 1, 2018 and ending on December 31, 2018.

“**Index**” means the Russell Microcap Index, as issued by Russell Investments, Inc., or, if such Index is no longer published or the Committee determines that such Index no longer appropriately represents the Company’s peer group (as measured by market capitalization), such other index as the Committee shall determine in its sole discretion.

“**Performance Period**” means the Annual Performance Period and/or the Cumulative Performance Period, as applicable.

“**Severance Period**” shall mean the period following the termination of the Grantee’s employment by the Company during which the Grantee is entitled to continue to receive his or her base compensation pursuant to a written severance agreement.

“**Target Shares**” means the number of Performance Shares so designated on the signature page hereof.

“**TSR**” means total shareholder return as applied to the Company or any company in the Comparison Group, as determined by calculating its stock price appreciation or depreciation from the beginning to the end of the Performance Period, plus dividends and distributions made or declared (assuming such dividends or distributions are reinvested in the common stock of the Company or any company in the Comparison Group) during the Performance Period, expressed as a positive or negative percentage return (adjusted for any changes in capital structure).

For purposes of computing TSR:

(a) The stock price at the beginning of the Performance Period will be (i) for the First Performance Period, the closing price on the Grant Date, (ii) for the Second Performance Period, the simple arithmetic average of the daily closing price of a share of common stock over the 20 consecutive trading days ending on the last trading day of the First Performance Period, and (iii) for the Third Performance Period, the simple arithmetic average of the daily closing price of a share of common stock over the 20 consecutive trading days ending on the last trading day of the Second Performance Period.

(b) The stock price at the end of the Performance Period will be the simple arithmetic average of the daily closing price of a share of common stock over the 20 trading days ending on the last trading day of the Performance Period.

2. Grant of Performance Share Award. Pursuant to the Plan, and subject to the terms and provisions hereof, the Company hereby issues to the Grantee on the Grant Date a Performance Share Award for the number of Performance Shares to be determined as follows:

2.1 The number of Performance Shares which vest for each Annual Performance Period shall be determined by the following formula: $(\text{number of Target Shares}) \times (1/3) \times (\text{Annual Percentage}) \times (\text{Award Percentage for such Annual Performance Period})$.

2.2 The number of Performance Shares which vest for each Cumulative Performance Period shall be determined by the following formula: $(\text{number of Target Shares}) \times (1/2) \times (\text{Cumulative Percentage}) \times (\text{Award Percentage for such Cumulative Performance Period})$.

2.3 Each Performance Share Award represents the right to receive one share of Common Stock, subject to the terms and conditions set forth in this Agreement and the Plan. Prior to settlement of any vested Performance Share Award, such Performance Shares will represent an unsecured obligation of the Company, payable (if at all) only from the general assets of the Company. The Company's obligations under this Agreement shall be unfunded and unsecured, and no special or separate fund shall be established and no other segregation of assets shall be made and the Grantee shall have no greater rights than an unsecured general creditor of the Company.

3. Vesting.

3.1 The Grantee shall have no vested right in any Performance Shares for any Performance Period unless (i) the Grantee retains his or her Continuous Status as a Participant from the first day through the last day of such Performance Period and (ii) the Committee certifies the Achievement Level for such Performance Period. The achievement of the Achievement Level, as evidenced by such certification by the Committee, shall be construed by all parties as a condition related to the purpose of the compensation for purposes of Section 409A of the Code. Subject to the provisions set forth herein, for each Performance Period, vesting shall be deemed to occur as of the day following the last day of each Performance Period.

3.2 The foregoing vesting schedule notwithstanding:

(a) Upon the termination of the Grantee's employment by the Company without Cause or if the Grantee's employment by the Company is terminated by the Grantee for Good Reason, then (i) if applicable, for purposes of Section 3.1(i) of this Agreement, the Grantee shall be deemed employed by the Company through the last day of any Severance Period which shall be deemed the last day of the Grantee's Continuous Status as a Participant, and (ii) for the Fiscal Year in which such termination occurs (as determined in accordance with the preceding clause (i)), the Grantee shall be entitled to issuance of a number of Target Shares equal to the product obtained by multiplying the number of Target Shares which the Grantee would have received hereunder, if any, subject to and based upon the Achievement Level for such Fiscal Year, but for the termination of his or her employment, multiplied by a fraction, the numerator is which the number of days the Grantee is employed (or deemed employed as aforesaid) by the Company during such Fiscal Year and the denominator of which is 365, and (iii) all other unvested Target Shares hereunder shall be deemed terminated and forfeited. For the avoidance of doubt, for purposes of this clause (a), to the extent the first day of a Severance Period is in one Fiscal Year and the last day of such Severance Period is in the following Fiscal Year, the Grantee shall be deemed employed (1) during the entirety of such first Fiscal Year and (2) for that portion of the following Fiscal Year which corresponds to the Severance Period applicable thereto.

(b) Upon termination of employment as the result of the death or Disability of the Grantee, then, for the Fiscal Year in which such termination occurs and each Fiscal Year thereafter during each Performance Period, the heirs or estate of the deceased Grantee or the Disabled Grantee shall be entitled to issuance of a number of Target Shares equal to the number of Target Shares which the Grantee would have received hereunder, if any, subject to and based upon the Achievement Level for such Fiscal Year, but for the termination of his or her employment.

(c) Notwithstanding the provisions of Sections 3.2(a) or (b), upon the occurrence of a Change in Control during any Annual Performance Period, the effective date of the Change in Control shall be deemed the last day of the Annual Performance Period and Cumulative Performance Period for the Fiscal Year in which the Change in Control occurs and for each Fiscal Year thereafter, and (i) the Grantee shall be deemed vested in and entitled to issuance of a number of Target Shares equal to the number of Target Shares which the Grantee would have received hereunder, if any, subject to and based upon the Achievement Level for such Fiscal Year(s) assuming that the effective date of the Change in Control is the last day of the Annual Performance Period and Cumulative Performance Period for the Fiscal Year in which the Change in Control occurs and for each Fiscal Year thereafter, such vesting to be deemed to have occurred at such time as may be necessary or required in order for the Grantee to be deemed the lawful owner and holder of record as of the effective date and time of the Change in Control, and (ii) except as set forth in the preceding clause, all other unvested Performance Shares hereunder shall be deemed terminated as of the effective date and time of the Change in Control.

3.3 The Committee shall determine and certify the Achievement Level for each Performance Period as soon as administratively practicable following the last day of each Performance Period and such determination shall be final and binding on all parties and shall be deemed effective as of the day following the last day of the applicable Performance Period. Subject to the vesting conditions set forth herein, the Company shall, not later than the last day of the Fiscal Year following the applicable Performance Period, (a) issue and deliver to the Grantee the number of shares of Common Stock equal to the number of vested Performance Shares (rounded up to the nearest whole share); and (b) enter the Grantee's name on the books of the Company as the shareholder of record with respect to the shares of Common Stock delivered to the Grantee (which entry shall be deemed made as of the day following the last day of each applicable Performance Period notwithstanding any later delivery of the corresponding shares of Common Stock). Subject to the provisions of the preceding clause (b) of this Section 3.3 and the provisions of Section 15 below, any shares of Stock to be issued under (i) under Section 3.2(a) or (b) above shall be issued no later than March 15 following the last day of the Fiscal Year in which the Grantee (or heirs or estate thereof) is deemed vested therein, and (ii) under Section 3.2(c) above shall be issued no later than such time as may be necessary or required in order for the Grantee to be deemed the lawful owner and holder of record of the shares of Stock to be issued thereunder as of the effective date and time of the Change in Control.

4. **Restrictions.** Subject to any exceptions set forth in this Agreement or the Plan, until the vesting thereof, the unvested Performance Shares or the rights relating thereto may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Grantee. Any attempt to assign, alienate, pledge, attach, sell or otherwise transfer or encumber the unvested Performance Shares or the rights relating thereto shall be wholly ineffective and, if any such attempt is made, the unvested Performance Shares will be forfeited by the Grantee and all of the Grantee's rights to shares issuable thereunder shall immediately terminate without any payment or consideration by the Company.

5. No Rights as Shareholder; Dividends.

5.1 The Grantee shall have no rights in, to or under the shares of Stock to be issued upon the vesting of the Performance Shares unless and until the vesting conditions set forth herein are satisfied and, until such date, shall have no rights of a shareholder of the Company including, without limitation, no right to vote such shares and no right to receive any dividends or other distributions paid with respect to such shares. Notwithstanding the foregoing, if during any Fiscal Year, the Company declares a dividend or distribution, whether in cash or other property, then, concurrent with the issuance of the shares of Stock, if any, to the Grantee for such Fiscal Year, the Company shall pay to the Grantee that amount of cash or other property which the Grantee would have received had the Grantee been the record holder of such shares of Stock on the record date for such dividend or distribution.

5.2 Upon vesting of the Performance Shares, the Company may issue stock certificates or evidence the Grantee's interest therein by using a book entry account with the Company's transfer agent.

6. Provisions of Plan.

6.1 *Adjustments.* If any change is made to the outstanding Stock or the capital structure of the Company, the shares of Stock to be issued hereunder shall be adjusted or terminated in any manner as contemplated by Article 16 of the Plan.

6.2 *Tax Liability and Withholding.* The Grantee shall be required to pay to the Company, and the Company shall have the right to deduct from the shares of Stock to be issued upon the vesting of the Performance Shares hereunder, the amount of any required withholding taxes in respect of the shares of Stock to be issued upon the vesting of the Performance Shares and to take all such other action as the Company deems necessary to satisfy all obligations for the payment of such withholding taxes.

6.3 Except as provided herein, the provisions of this Agreement shall be subject to the provisions of the Plan, which are hereby incorporated herein by reference and made part hereof. The Grantee acknowledges and agrees that he or she has been provided with and has read the Plan and understands the provisions thereof. In the event of any conflict between the terms of the Plan and the terms of this Agreement, the terms of the Plan shall take precedence, other than for such provisions of the Plan which, by their terms, are subject to the provisions of an Award Certificate.

7. **No ERISA Plan.** Neither this Agreement nor the award of the Performance Shares hereunder shall be construed by any party as being subject to any provisions of ERISA, and shall not be so subject. Without in any way limiting the generality of the foregoing, the Performance Shares awarded hereunder shall constitute a mere unfunded promise to pay by the Company and a bonus program within the meaning of Department of Labor Regulation Section 2510.3-2(c) promulgated under ERISA.

8. **Compliance with Law.** The issuance of shares of Stock hereunder shall be subject to compliance by the Company and the Grantee with all applicable requirements of federal and state securities laws and with all applicable requirements of any stock exchange on which the Company's shares of Stock may be listed. No shares of Stock shall be issued or transferred unless and until any then applicable requirements of state and federal laws and regulatory agencies have been fully complied with to the satisfaction of the Company and its counsel.

9. **Notices.** Any notice required to be delivered to the Company under this Agreement shall be in writing and addressed to the Secretary of the Company at the Company's principal corporate offices. Any notice required to be delivered to the Grantee under this Agreement shall be in writing and addressed to the Grantee at the Grantee's address as shown in the records of the Company. Either party may designate another address in writing (or by such other method approved by the Company) from time to time.

10. **Parachute Payments and Parachute Awards.** If the Grantee is a "disqualified individual," as defined in paragraph (c) of Code Section 280G, then, notwithstanding any other provision of this Agreement or of any other agreement, contract, or understanding heretofore entered into by the Grantee and the Company (an "Other Agreement"), except an agreement, contract, or understanding that expressly addresses Code Section 280G or Code Section 4999 (a "280G Agreement"), and notwithstanding any formal or informal plan or other arrangement for the direct or indirect provision of compensation to the Grantee (or an employee group of which the Grantee is a member), whether or not such compensation is deferred, is in cash, or is in the form of a benefit to or for the Grantee (a "Benefit Arrangement"), if any of the payments or benefits provided or to be provided by the Company or its affiliates to the Grantee or for the Grantee's benefit pursuant to the terms of this Agreement, all Other Agreements and all Benefit Arrangements ("Covered Payments") constitute parachute payments ("Parachute Payments") within the meaning of Code Section 280G and would, but for this Section, be subject to the excise tax imposed under Section 4999 of the Code (or any successor provision thereto) or any similar tax imposed by state or local law or any interest or penalties with respect to such taxes (collectively, the "Excise Tax"), then prior to making the Covered Payments, a calculation shall be made comparing (i) the Net Benefit (as defined below) to the Grantee of the Covered Payments after payment of the Excise Tax to (ii) the Net Benefit to the Grantee if the Covered Payments are limited to the extent necessary to avoid being subject to the Excise Tax. Only if the amount calculated under (i) above is less than the amount under (ii) above will the Covered Payments be reduced to the minimum extent necessary to ensure that no portion of the Covered Payments is subject to the Excise Tax (that amount, the "Reduced Amount"). "Net Benefit" shall mean the present value of the Covered Payments net of all federal, state, local, foreign income, employment and excise taxes. Any such reduction shall be made in accordance with Section 409A of the Code and the following: (i) the Covered Payments which do not constitute nonqualified deferred compensation subject to Section 409A of the Code shall be reduced first; and (ii) the Covered Payments shall be reduced in a manner that maximizes the Grantee's economic position. In applying this principle, the reduction shall be made in a manner consistent with the requirements of Section 409A of the Code, and where two economically equivalent amounts are subject to reduction but payable at different times, such amounts shall be reduced on a pro rata basis but not below zero. The foregoing shall not be interpreted so as to restrict, reduce, amend or modify any of the existing terms and provisions of any 280G Agreement to which the Grantee and the Company may be a party and any payment hereunder shall be entitled to the benefits thereof.

11. **Severability.** If any provision of this Agreement is determined by a court of competent jurisdiction to be unenforceable, such determination shall not affect the remaining provisions of this Agreement, which shall be enforced to the maximum extent permitted under applicable law.

12. **Modification.** Subject to the provisions of the Plan, this Agreement may be modified only in writing pursuant to an agreement by and between the Company and the Grantee.

13. **Headings.** The headings contained herein are for convenience of reference only and shall not be construed by any party as having any substantive significance.

14. Clawback. Notwithstanding any other provisions in this Agreement, this Award is subject to recovery under any current or future law, government regulation or stock exchange listing requirement, and is subject to such deductions and clawback as may be required to be made pursuant to such law, government regulation or stock exchange listing requirement (or any policy adopted by the Company at any time pursuant to any such law, government regulation or stock exchange listing requirement).

15. Section 409A of the Code. If the Grantee is deemed a "specified employee" within the meaning of Section 409A of the Code, as determined by the Committee, at a time when the Grantee becomes eligible for settlement of the Performance Shares upon his/her "separation from service" within the meaning of Section 409A of the Code, then to the extent necessary to prevent any accelerated or additional tax under Section 409A of the Code, such settlement will be delayed until the earlier of: (i) the date that is six months following the Grantee's separation from service and (ii) the Grantee's death. It is the intent that this Performance Share Award shall comply with the requirements of Section 409A, and any ambiguities herein will be interpreted to so comply. The Company reserves the right, to the extent the Company deems necessary or advisable in its sole discretion, to unilaterally amend or modify this Agreement as may be necessary to ensure that all vesting or payouts provided under this Agreement are made in a manner that complies with Section 409A or to mitigate any additional tax, interest and/or penalties or other adverse tax consequences that may apply under Section 409A if compliance is not practical; provided, however, that nothing in this paragraph creates an obligation on the part of the Company to modify the terms of this Agreement or the Plan, and the Company makes no representation that the terms of this Performance Share Award Agreement will comply with Section 409A or that payments under this Performance Share Award Agreement will not be subject to taxes, interest and penalties or other adverse tax consequences under Section 409A. In no event shall the Company or any of its Subsidiaries be liable to any party for any additional tax, interest or penalties that may be imposed on the Grantee by Section 409A or any damages for failing to comply with Section 409A.

17. Execution and Counterparts. This Agreement shall be deemed effective as of the Grant Date upon the delivery to the Employee of the Award Certificate hereto (or information contained therein), by electronic or other means of transmission, and such effectiveness shall not require any counterpart signature of the Employee.

2018 LTI TIME BASED RESTRICTED STOCK UNIT AWARD

THIS 2018 LTI TIME BASED RESTRICTED STOCK UNIT AWARD (this “Agreement”) is made and entered into as of the 9th day of April, 2018 (the “Grant Date”) by and between the individual whose name appears on the Award Certificate attached hereto (the “Employee”) and PFSweb, Inc., a Delaware corporation (the “Company”), and is issued under and pursuant to the PFSweb, Inc. 2005 Employee Stock and Incentive Plan, as the same may be amended from time to time (the “Plan;” terms defined in the Plan having the same meaning when used herein, except as otherwise defined herein).

NOW, THEREFORE, intending to be legally bound, and for good and valuable consideration, the sufficiency of which is hereby acknowledged, the Company and the Employee hereby agree as follows:

1. Definitions. The following terms (not otherwise defined herein), when used in this Agreement, shall have the following meanings, unless the context clearly requires otherwise (such definitions to be equally applicable to both the singular and plural of the defined terms):

“ERISA” shall mean the Employee Retirement Income Security Act of 1986, as amended.

“Fiscal Year” shall mean the 12-consecutive-month period beginning on January 1 and ending on December 31, so that, by way of example, Fiscal Year 2018 shall mean the 12-consecutive-month period beginning on January 1, 2018 and ending on December 31, 2018.

“Severance Period” shall mean the period following the termination of the Employee’s employment by the Company during which the Employee is entitled to continue to receive his or her base compensation pursuant to a written severance agreement.

“Vesting Date” shall mean each of December 31, 2018, December 31, 2019 and December 31, 2020, as applicable or as the context may require.

2. Issuance and Vesting of Restricted Stock Units. Subject to the vesting conditions set forth herein and the other terms and provisions of the Plan, the Company hereby issues to the Employee the number of Restricted Units set forth in the Award Certificate attached hereto. Except as otherwise set forth herein or in the Plan, provided that the Employee retains his/her Continuous Status as a Participant through the applicable Vesting Date set forth below, then for each Vesting Date the corresponding number of Restricted Stock Units set forth below will vest on the day following the applicable Vesting Date:

Vesting Date/Fiscal Year	Number of Vested Restricted Stock Units
December 31, 2018	33.33% of the number of Restricted Stock Units
December 31, 2019	33.33% of the number of Restricted Stock Units
December 31, 2020	33.34% of the number of Restricted Stock Units

3. Vesting of Restricted Stock Units; Forfeiture. The Employee shall have no vested right in the Restricted Stock Units unless the Employee is employed by the Company as of the applicable Vesting Date set forth in Section 2 above. If, prior to any Vesting Date, the Employee voluntarily leaves employment with the Company other than for Good Reason or is terminated by the Company for Cause, the Employee shall forfeit the entirety of the Restricted Stock Units otherwise issuable hereunder

4. Additional Vesting Provisions.

(a) Upon the termination of the Employee's employment by the Company without Cause or if the Employee's employment by the Company is terminated by the Employee for Good Reason, then (i) if applicable, for purposes of Section 2 of this Agreement, the Employee shall be deemed employed by the Company through the last day of any Severance Period which shall be deemed the last day of the Employee's Continuous Status as a Participant, and (ii) the Employee shall be entitled to a portion of the Restricted Stock Units otherwise issuable on the Vesting Date immediately following the date of termination of employment (as determined in accordance with the preceding clause (i)), equal to the amount of the Restricted Stock Units to which the Employee would have vested hereunder on such Vesting Date but for the termination of his or her employment, multiplied by a fraction, the numerator of which is the number of days the Employee is employed (or deemed employed in accordance with the preceding clause (i)) by the Company during the Fiscal Year in which the termination (or deemed termination) occurred and the denominator of which is 365, and such portion shall be deemed vested as of the date of termination of employment (without regard for the provisions of clause (i) herein), and (iii) all other unvested Restricted Stock Units hereunder shall be deemed terminated and forfeited. For the avoidance of doubt, for purposes of this clause (a), to the extent the first day of a Severance Period is in one Fiscal Year and the last day of such Severance Period is in the following Fiscal Year, the Employee shall be deemed employed (1) during the entirety of such first Fiscal Year and (2) for that portion of the following Fiscal Year which corresponds to the Severance Period applicable thereto.

(b) Upon termination of employment as the result of the death or Disability of the Employee, all unvested Restricted Stock Units shall automatically accelerate and vest as of such date of termination.

(c) Upon the occurrence of a Change in Control, all unvested Restricted Stock Units shall be deemed automatically vested at such time as may be necessary or required in order for the Employee to be deemed the lawful owner and holder of record of the shares of Stock to be issued thereunder as of the effective date and time of the Change in Control.

5. Settlement of Restricted Stock Units.

(a) Each Restricted Stock Unit represents the right to receive one share of Stock, subject to the terms and conditions set forth in this Agreement and the Plan. The Restricted Stock Units shall be credited to a separate account maintained for the Employee on the books and records of the Company (the "**Account**"). All amounts credited to the Account shall continue for all purposes to be part of the general assets of the Company.

(b) Subject to the provisions hereof, no later than the last day of Fiscal Year following the applicable Vesting Date, the Company shall (i) issue and deliver to the Employee the number of shares of Stock equal to the number of vested Restricted Stock Units (rounded up to the nearest whole share); and (ii) enter the Employee's name on the books of the Company as the shareholder of record with respect to the shares of Stock delivered to the Employee (which entry shall be deemed made as of the day following the last day of each applicable Fiscal Year notwithstanding any later delivery of the corresponding shares of Common Stock). Notwithstanding the foregoing, but subject to the provisions of the preceding clause (ii) and Section 15 below, any shares of Stock to be issued in settlement of Restricted Stock Units (i) under Section 4(a) or (b) above shall be issued no later than March 15 following the last day of the Fiscal Year in which the Employee is deemed vested therein, and (ii) under Section 4(c) above shall be issued no later than such time as may be necessary or required in order for the Employee to be deemed the lawful owner and holder of record of the shares of Stock to be issued thereunder as of the effective date and time of the Change in Control.

(c) Subject to any exceptions set forth in this Agreement or the Plan, prior to the vesting of the Restricted Stock Units hereunder, the Restricted Stock Units or the rights relating thereto may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Employee. Any attempt to assign, alienate, pledge, attach, sell or otherwise transfer or encumber the Restricted Stock Units or the rights relating thereto during such period shall be wholly ineffective and, if any such attempt is made, the unvested Restricted Stock Units will be forfeited by the Employee and all of the Employee's rights to shares issuable thereunder shall immediately terminate without any payment or consideration by the Company.

(d) The Employee shall have no rights in, to or under the shares of Stock to be issued upon the vesting of the Restricted Stock Units unless and until the vesting conditions set forth herein are satisfied and, until such date, shall have no rights of a shareholder of the Company including, without limitation, no right to vote such shares and no right to receive any dividends or other distributions paid with respect to such shares. Notwithstanding the foregoing, if during any Fiscal Year, the Company declares a dividend or distribution, whether in cash or other property, then, concurrent with the issuance of the shares of Stock, if any, to the Employee for such Fiscal Year, the Company shall pay to the Employee that amount of cash or other property which the Employee would have received had the Employee been the record holder of such shares of Stock on the record date for such dividend or distribution.

(e) Upon vesting of the Restricted Stock Units, the Company may issue stock certificates or evidence the Employee's interest therein by using a book entry account with the Company's transfer agent.

6. Provisions of Plan.

(a) *Adjustments.* If any change is made to the outstanding Stock or the capital structure of the Company, the shares of Stock to be issued hereunder shall be adjusted or terminated in any manner as contemplated by Article 16 of the Plan.

(b) *Tax Liability and Withholding.* The Employee shall be required to pay to the Company, and the Company shall have the right to deduct from the shares of Stock to be issued upon the vesting of the Restricted Stock Units, the amount of any required withholding taxes in respect of the shares of Stock to be issued upon the vesting of the Restricted Stock Units and to take all such other action as the Company deems necessary to satisfy all obligations for the payment of such withholding taxes.

(c) Except as provided herein, the provisions of this Agreement shall be subject to the provisions of the Plan, which are hereby incorporated herein by reference and made part hereof. The Employee acknowledges and agrees that he or she has been provided with and has read the Plan and understands the provisions thereof. In the event of any conflict between the terms of the Plan and the terms of this Agreement, the terms of the Plan shall take precedence, other than for such provisions of the Plan which, by their terms, are subject to the provisions of an Award Certificate.

7. No ERISA Plan. Neither this Agreement nor the award of the Restricted Stock Units hereunder shall be construed by any party as being subject to any provisions of ERISA, and shall not be so subject. Without in any way limiting the generality of the foregoing, the Restricted Stock Units awarded hereunder shall constitute a mere unfunded promise to pay by the Company and a bonus program within the meaning of Department of Labor Regulation Section 2510.3-2(c) promulgated under ERISA.

8. **Compliance with Law.** The issuance of shares of Stock hereunder shall be subject to compliance by the Company and the Employee with all applicable requirements of federal and state securities laws and with all applicable requirements of any stock exchange on which the Company's shares of Stock may be listed. No shares of Stock shall be issued or transferred unless and until any then applicable requirements of state and federal laws and regulatory agencies have been fully complied with to the satisfaction of the Company and its counsel.

9. **Notices.** Any notice required to be delivered to the Company under this Agreement shall be in writing and addressed to the Secretary of the Company at the Company's principal corporate offices. Any notice required to be delivered to the Employee under this Agreement shall be in writing and addressed to the Employee at the Employee's address as shown in the records of the Company. Either party may designate another address in writing (or by such other method approved by the Company) from time to time.

10. **Parachute Payments and Parachute Awards.** If the Employee is a "disqualified individual," as defined in paragraph (c) of Code Section 280G, then, notwithstanding any other provision of this Agreement or of any other agreement, contract, or understanding heretofore entered into by the Employee and the Company (an "Other Agreement"), except an agreement, contract, or understanding that expressly addresses Code Section 280G or Code Section 4999 (a "280G Agreement"), and notwithstanding any formal or informal plan or other arrangement for the direct or indirect provision of compensation to the Employee (or an employee group of which the Employee is a member), whether or not such compensation is deferred, is in cash, or is in the form of a benefit to or for the Employee (a "Benefit Arrangement"), any right the Employee has in respect of payment under this Agreement, any Other Agreement or any Benefit Arrangement will be reduced or eliminated: (a) to the extent that such right to payment, taking into account all other rights, payments, or benefits to or for the Employee under all Other Agreements and all Benefit Arrangements, would cause the payment to Employee under this Agreement to be considered a "parachute payment" within the meaning of paragraph (b)(2) of Code Section 280G as then in effect (a "Parachute Payment"); and (b) if, as a result of receiving such Parachute Payment, the aggregate after-tax amounts the Employee is entitled to receive from the Company under all Other Agreements and all Benefit Arrangements would be less than the maximum after-tax amount that could be received by the Employee without causing any such payment or benefit to be considered a Parachute Payment. The Company will accomplish such reduction in a manner to be mutually agreed with, and most beneficial for, the Employee. The foregoing shall not be interpreted so as to restrict, reduce, amend or modify any of the existing terms and provisions of any 280G Agreement to which the Employee and the Company may be a party and any payment hereunder shall be entitled to the benefits thereof.

11. **Severability.** If any provision of this Agreement is determined by a court of competent jurisdiction to be unenforceable, such determination shall not affect the remaining provisions of this Agreement, which shall be enforced to the maximum extent permitted under applicable law.

12. **Modification.** Subject to the provisions of the Plan, this Agreement may be modified only in writing pursuant to an agreement by and between the Company and the Employee.

13. **Headings.** The headings contained herein are for convenience of reference only and shall not be construed by any party as having any substantive significance.

14. **Clawback.** Notwithstanding any other provisions in this Agreement, this Award is subject to recovery under any current or future law, government regulation or stock exchange listing requirement, and is subject to such deductions and clawback as may be required to be made pursuant to such law, government regulation or stock exchange listing requirement (or any policy adopted by the

Company at any time pursuant to any such law, government regulation or stock exchange listing requirement).

15. Section 409A of the Code. If the Employee is deemed a "specified employee" within the meaning of Section 409A of the Code, as determined by the Committee, at a time when the Employee becomes eligible for settlement of the Restricted Stock Units upon his/her "separation from service" within the meaning of Section 409A of the Code, then to the extent necessary to prevent any accelerated or additional tax under Section 409A of the Code, such settlement will be delayed until the earlier of: (i) the date that is six months following the Employee's separation from service and (ii) the Employee's death. It is the intent that this Restricted Stock Unit Award shall comply with the requirements of Section 409A, and any ambiguities herein will be interpreted to so comply. The Company reserves the right, to the extent the Company deems necessary or advisable in its sole discretion, to unilaterally amend or modify this Agreement as may be necessary to ensure that all vesting or payouts provided under this Agreement are made in a manner that complies with Section 409A or to mitigate any additional tax, interest and/or penalties or other adverse tax consequences that may apply under Section 409A if compliance is not practical; provided, however, that nothing in this paragraph creates an obligation on the part of the Company to modify the terms of this Agreement or the Plan, and the Company makes no representation that the terms of this Restricted Stock Unit Award Agreement will comply with Section 409A or that payments under this Restricted Stock Unit Award Agreement will not be subject to taxes, interest and penalties or other adverse tax consequences under Section 409A. In no event shall the Company or any of its Subsidiaries be liable to any party for any additional tax, interest or penalties that may be imposed on the Employee by Section 409A or any damages for failing to comply with Section 409A.

16. Execution and Counterparts. This Agreement shall be deemed effective as of the Grant Date upon the delivery to the Employee of the Award Certificate hereto (or information contained therein), by electronic or other means of transmission, and such effectiveness shall not require any counterpart signature of the Employee.

2018 STI COMPANY PERFORMANCE-BASED SHARE AWARD

THIS 2018 STI COMPANY PERFORMANCE-BASED SHARE AWARD (this “Agreement”) is made and entered into as of the 9th day of April, 2018 (the “Grant Date”) by and between the employee named on the Award Certificate attached hereto (the “Employee”) and PFSweb, Inc., a Delaware corporation (the “Company”), and is issued under and pursuant to the PFSweb, Inc., 2005 Employee Stock and Incentive Plan, as the same may be amended from time to time (the “Plan;” terms defined in the Plan having the same meaning when used herein, except as otherwise defined herein).

NOW, THEREFORE, intending to be legally bound, and for good and valuable consideration, the sufficiency of which is hereby acknowledged, the Company and the Employee hereby agree as follows:

1. Definitions. The following terms (not otherwise defined herein), when used in this Agreement, shall have the following meanings, unless the context clearly requires otherwise (such definitions to be equally applicable to both the singular and plural of the defined terms):

“Bonus Target” shall mean the corresponding Bonus Target(s) as set forth in the individual Award Certificate issued by the Company to the Employee.

“ERISA” shall mean the Employee Retirement Income Security Act of 1986, as amended.

“Fiscal Year” shall mean the 12-consecutive-month period beginning on January 1 and ending on December 31, so that, by way of example, Fiscal Year 2018 shall mean the 12-consecutive-month period beginning on January 1, 2018 and ending on December 31, 2018.

“Fiscal Year Date” shall mean December 31, 2018.

“Severance Period” shall mean the period following the termination of the Employee’s employment by the Company during which the employee is entitled to continue to receive his or her base compensation pursuant to a written severance agreement.

2. Performance-Based Share Award. The number of Shares of the Performance-Based Share Award issuable to the Employee hereunder shall be determined based upon the achievement of the Bonus Target, as set forth in the Award Certificate issued to the Employee hereunder.

3. Determination of Target Achievement. The Committee, in its sole and absolute discretion, shall determine when, whether, and if so, the extent to which, the Bonus Target has been achieved. Such determination, which shall be final and binding on all parties, shall be certified in writing as soon as administratively practicable in Fiscal Year 2019.

4. Vesting of Performance-Based Share Award; Forfeiture. The Employee shall have no vested right in the Performance-Based Share Award unless the Committee certifies that the Bonus Target has been achieved. Such achievement, as evidenced by such certification by the Committee, shall be construed by all parties as a condition related to the purpose of the compensation for purposes of Section 409A of the Code. Provided that such certification is made, and that the Employee is employed by the Company as of the Fiscal Year Date, vesting shall occur as of the day following the Fiscal Year

Date. If, prior to the Fiscal Year Date, the Employee voluntarily leaves employment with the Company other than for Good Reason or is terminated by the Company for Cause, the Employee shall forfeit the entirety of the Performance-Based Share Award otherwise issuable hereunder.

5. Adjustment of Performance-Based Share Award. If the Employee's employment by the Company is terminated between the Grant Date and the Fiscal Year Date without Cause or as the result of the Employee's death or Disability, or if the Employee's employment by the Company is terminated by the Employee for Good Reason, the Employee shall be entitled to issuance of a portion of the Performance-Based Share Award equal to the amount of the Performance-Based Share Award which the Employee would have received hereunder, if any, subject to and based upon the achievement of the Bonus Target, multiplied by a fraction, the numerator of which is the number of days in Fiscal Year 2018 in which the Employee is employed by the Company and the denominator of which is 365. Solely for purposes of the preceding sentence, the Employee shall be deemed employed by the Company during any applicable Severance Period (but, in no event, beyond the Fiscal Year Date). If the Committee determines that the occurrence of one or more events following the Grant Date has or may cause the achievement of the Bonus Target to no longer be an appropriate measure of performance or achievement, the Committee reserves the right, in its sole discretion, to make one or more further adjustments to the terms hereof to reflect such event(s). In addition, in the event of a Change in Control prior to the Fiscal Year Date, (i) the achievement of the Bonus Target shall be determined based upon an adjusted Bonus Target equal to the corresponding Bonus Target amounts set forth in the Company budget through the end of the second to last full calendar month preceding the effective date of the Change in Control, and (ii) subject to, and based upon, the achievement of the aforesaid adjusted Bonus Target, the Employee shall be entitled to issuance of a pro rata portion of the Performance-Based Share Award based upon the percentage of the calendar year prior to the effective date of the Change in Control.

6. Issuance of Performance-Based Share Award and Payment of Dividend Equivalent. Issuance of the Performance-Based Share Award shall be made as soon as practicable following the certification by the Committee set forth in Section 4 above by the issuance of one or more stock certificates in the name of the Employee or by using a book entry account with the Company's transfer agent. In the event that the Company declares a dividend or distribution, whether in cash or other property, with a record date after the Grant Date and prior to the effective date of the aforesaid issuance of the Performance-Based Share Award, the Company shall pay to the Employee that amount of cash or other property which the Employee would have received had the Employee been the record holder of the shares of Stock actually issued hereunder on such record date. In no event shall issuance of the Performance-Based Share Award, or payment of the aforesaid Dividend Equivalent, be made later than the last day of Fiscal Year 2019; provided, however, any shares of Stock to be issued pursuant to the last sentence of Section 5 above shall be issued no later than such time as may be necessary or required in order for the Employee to be deemed the lawful owner and holder of record of such shares of Stock as of the effective date and time of the Change in Control.

7. Provisions of Plan.

(a) *Adjustments.* If any change is made to the outstanding Stock or the capital structure of the Company, the shares of Stock to be issued hereunder shall be adjusted or terminated in any manner as contemplated by Article 16 of the Plan.

(b) *Tax Liability and Withholding.* The Employee shall be required to pay to the Company, and the Company shall have the right to deduct from the shares of Stock to be issued upon the vesting of the Performance Based Share Award, the amount of any required withholding taxes in respect of the shares of Stock to be issued upon the vesting of the Performance Based Share Award and to take all

such other action as the Company deems necessary to satisfy all obligations for the payment of such withholding taxes.

(c) Except as provided herein, the provisions of this Agreement shall be subject to the provisions of the Plan, which are hereby incorporated herein by reference and made part hereof. The Employee acknowledges and agrees that he or she has been provided with and has read the Plan and understands the provisions thereof. In the event of any conflict between the terms of the Plan and the terms of this Agreement, the terms of the Plan shall take precedence, other than for such provisions of the Plan which, by their terms, are subject to the provisions of an Award Certificate.

8. No ERISA Plan. Neither this Agreement nor the award of the Performance-Based Share Award hereunder shall be construed by any party as being subject to any provisions of ERISA, and shall not be so subject. Without in any way limiting the generality of the foregoing, the Performance-Based Share Award awarded hereunder shall constitute a mere unfunded promise to pay by the Company and a bonus program within the meaning of Department of Labor Regulation Section 2510.3-2(c) promulgated under ERISA.

9. No Rights as a Shareholder. Subject to any exceptions set forth in this Agreement or the Plan, prior to the vesting of the Performance Shares hereunder, the Shares or the rights relating thereto may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Employee. Any attempt to assign, alienate, pledge, attach, sell or otherwise transfer or encumber the Shares or the rights relating thereto during such period shall be wholly ineffective and, if any such attempt is made, the Shares will be forfeited by the Employee and all of the Employee's rights to such Shares shall immediately terminate without any payment or consideration by the Company. Except as set forth herein, the Employee shall have no rights in, to or under the Shares of Stock to be issued upon the vesting of the Performance Share Award unless and until the vesting conditions set forth herein are satisfied and, until such date, shall have no rights of a shareholder of the Company including, without limitation, no right to vote such Shares and no right to receive any dividends or other distributions paid with respect to such Shares.

10. Notices. Any notice required to be delivered to the Company under this Agreement shall be in writing and addressed to the Secretary of the Company at the Company's principal corporate offices. Any notice required to be delivered to the Employee under this Agreement shall be in writing and addressed to the Employee at the Employee's address as shown in the records of the Company. Either party may designate another address in writing (or by such other method approved by the Company) from time to time.

11. Parachute Payments and Parachute Awards. If the Employee is a "disqualified individual," as defined in paragraph (c) of Code Section 280G, then, notwithstanding any other provision of this Agreement or of any other agreement, contract, or understanding heretofore entered into by the Employee and the Company (an "Other Agreement"), except an agreement, contract, or understanding that expressly addresses Code Section 280G or Code Section 4999 (a "280G Agreement"), and notwithstanding any formal or informal plan or other arrangement for the direct or indirect provision of compensation to the Employee (or an employee group of which the Employee is a member), whether or not such compensation is deferred, is in cash, or is in the form of a benefit to or for the Employee (a "Benefit Arrangement"), any right the Employee has in respect of payment under this Agreement, any Other Agreement or any Benefit Arrangement will be reduced or eliminated: (a) to the extent that such right to payment, taking into account all other rights, payments, or benefits to or for the Employee under all Other Agreements and all Benefit Arrangements, would cause the payment to Employee under this Agreement to be considered a "parachute payment" within the meaning of paragraph (b)(2) of Code Section 280G as then in effect (a "Parachute Payment"); and (b) if, as a result of receiving such Parachute Payment, the aggregate after-tax amounts the

Employee is entitled to receive from the Company under all Other Agreements and all Benefit Arrangements would be less than the maximum after-tax amount that could be received by the Employee without causing any such payment or benefit to be considered a Parachute Payment. The Company will accomplish such reduction in a manner to be mutually agreed with, and most beneficial for, the Employee. The foregoing shall not be interpreted so as to restrict, reduce, amend or modify any of the existing terms and provisions of any 280G Agreement to which the Employee and the Company may be a party and any payment hereunder shall be entitled to the benefits thereof.

12. Severability. If any provision of this Agreement is determined by a court of competent jurisdiction to be unenforceable, such determination shall not affect the remaining provisions of this Agreement, which shall be enforced to the maximum extent permitted under applicable law.

13. Modification. Subject to the provisions of the Plan, this Agreement may be modified only in writing pursuant to an agreement by and between the Company and the Employee.

14. Headings. The headings contained herein are for convenience of reference only and shall not be construed by any party as having any substantive significance.

15. Clawback. Notwithstanding any other provisions in this Agreement, this Award is subject to recovery under any current or future law, government regulation or stock exchange listing requirement, and is subject to such deductions and clawback as may be required to be made pursuant to such law, government regulation or stock exchange listing requirement (or any policy adopted by the Company at any time pursuant to any such law, government regulation or stock exchange listing requirement).

16. Execution and Effective Date. This Agreement shall be deemed effective as of the Grant Date upon the delivery to the Employee of the Award Certificate hereto (or information contained therein), by electronic or other means of transmission, and such effectiveness shall not require any counterpart signature of the Employee.

17. Section 409A of the Code. If the Employee is deemed a "specified employee" within the meaning of Section 409A of the Code, as determined by the Committee, at a time when the Employee becomes eligible for settlement of the Performance Shares upon his/her "separation from service" within the meaning of Section 409A of the Code, then to the extent necessary to prevent any accelerated or additional tax under Section 409A of the Code, such settlement will be delayed until the earlier of: (i) the date that is six months following the Employee's separation from service and (ii) the Employee's death. It is the intent that this Performance Share Award shall comply with the requirements of Section 409A, and any ambiguities herein will be interpreted to so comply. The Company reserves the right, to the extent the Company deems necessary or advisable in its sole discretion, to unilaterally amend or modify this Agreement as may be necessary to ensure that all vesting or payouts provided under this Agreement are made in a manner that complies with Section 409A or to mitigate any additional tax, interest and/or penalties or other adverse tax consequences that may apply under Section 409A if compliance is not practical; provided, however, that nothing in this paragraph creates an obligation on the part of the Company to modify the terms of this Agreement or the Plan, and the Company makes no representation that the terms of this Performance Share Award Agreement will comply with Section 409A or that payments under this Performance Share Award Agreement will not be subject to taxes, interest and penalties or other adverse tax consequences under Section 409A. In no event shall the Company or any of its Subsidiaries be liable to any party for any additional tax, interest or penalties that may be imposed on the Employee by Section 409A or any damages for failing to comply with Section 409A.

2018 STI COMPANY PERFORMANCE-BASED CASH AWARD

THIS 2018 STI COMPANY PERFORMANCE-BASED CASH AWARD (this “Agreement”) is made and entered into as of the 31st day of March, 2018 (the “Grant Date”) by and between the employee named in the Award Certificate attached hereto (the “Employee”) and PFSweb, Inc., a Delaware corporation (the “Company”), and is issued under and pursuant to the PFSweb, Inc., 2005 Employee Stock and Incentive Plan, as the same may be amended from time to time (the “Plan;” terms defined in the Plan having the same meaning when used herein, except as otherwise defined herein).

NOW, THEREFORE, intending to be legally bound, and for good and valuable consideration, the sufficiency of which is hereby acknowledged, the Company and the Employee hereby agree as follows:

1. Definitions. The following terms (not otherwise defined herein), when used in this Agreement, shall have the following meanings, unless the context clearly requires otherwise (such definitions to be equally applicable to both the singular and plural of the defined terms):

“Bonus Target” shall mean the corresponding Bonus Target(s) as set forth in the individual Award Certificate issued by the Company to the Employee.

“ERISA” shall mean the Employee Retirement Income Security Act of 1986, as amended.

“Fiscal Year” shall mean the 12-consecutive-month period beginning on January 1 and ending on December 31, so that, by way of example, Fiscal Year 2018 shall mean the 12-consecutive-month period beginning on January 1, 2018 and ending on December 31, 2018.

“Fiscal Year Date” shall mean December 31, 2018.

“Severance Period” shall mean the period following the termination of the Employee’s employment by the Company during which the employee is entitled to continue to receive his or her base compensation pursuant to a written severance agreement.

2. Performance-Based Cash Award. The amount of the Performance-Based Cash Award payable to the Employee hereunder shall be determined based upon the achievement of the Bonus Target as set forth in the Award Certificate issued to the Employee hereunder.

3. Determination of Target Achievement. The Committee, in its sole and absolute discretion, shall determine when, whether, and if so, the extent to which, the Bonus Target has been achieved. Such determination, which shall be final and binding on all parties, shall be certified in writing as soon as administratively practicable in Fiscal Year 2019.

4. Vesting of Performance-Based Cash Award; Forfeiture. The Employee shall have no vested right in the Performance-Based Cash Award unless the Committee certifies that the Bonus Target has been achieved. Such achievement, as evidenced by such certification by the Committee, shall be construed by all parties as a condition related to the purpose of the compensation for purposes of Section 409A of the Code. Provided that such certification is made, and that the Employee is employed by the Company as of the Fiscal Year Date, vesting shall occur as of the day following the Fiscal Year Date. If, prior to the Fiscal Year Date, the Employee voluntarily leaves employment with the Company other than for Good Reason or is terminated by the Company for Cause, the Employee shall forfeit the entirety of the Performance-Based Cash Award otherwise payable hereunder.

5. **Adjustment of Performance-Based Cash Award.** If the Employee's employment by the Company is terminated between the Grant Date and the Fiscal Year Date without Cause or as the result of the Grantee's death or Disability, or if the Employee's employment by the Company is terminated by the Employee for Good Reason, the Employee shall be entitled to payment of a portion of the Performance-Based Cash Award equal to the amount of the Performance-Based Cash Award which the Employee would have received hereunder, if any, subject to and based upon the achievement of the Bonus Target, multiplied by a fraction, the numerator of which is the number of days in Fiscal Year 2018 in which the Employee is employed by the Company and the denominator of which is 365. Solely for purposes of the preceding sentence, the Employee shall be deemed employed by the Company during any applicable Severance Period (but, in no event, beyond the Fiscal Year Date). If the Committee determines that the occurrence of one or more events following the Grant Date has or will cause the achievement of the Bonus Target to no longer be an appropriate measure of performance or achievement, the Committee reserves the right, in its sole discretion, to make one or more further adjustments to the terms hereof to reflect such event(s). In addition, in the event of a Change in Control prior to the Fiscal Year Date, (i) the achievement of the Bonus Target shall be determined based upon an adjusted Bonus Target equal to the corresponding Bonus Target amounts set forth in the Company budget through the end of the second to last full calendar month preceding the effective date of the Change in Control, and (ii) subject to, and based upon, the achievement of the aforesaid adjusted Bonus Target, the Employee shall be entitled to issuance of a pro rata portion of the Performance-Based Cash Award based upon the percentage of the calendar year prior to the effective date of the Change in Control.

6. **Payment of Performance-Based Cash Award.** Payment of the Performance-Based Cash Award shall be made in a single lump sum in cash, less all applicable withholdings, as soon as practicable following the certification by the Committee set forth in Section 4 above. In no event shall payment of the Performance-Based Cash Award be made later than the last day of Fiscal Year 2019.

7. **Provisions of Plan.** Except as provided herein, the provisions of this Agreement shall be subject to the provisions of the Plan, which are hereby incorporated herein by reference and made part hereof. The Employee acknowledges and agrees that he or she has been provided with and has read the Plan and understands the provisions thereof. In the event of any conflict between the terms of the Plan and the terms of this Agreement, the terms of the Plan shall take precedence, other than for such provisions of the Plan which, by their terms, are subject to the provisions of an Award Certificate.

8. **No ERISA Plan.** Neither this Agreement nor the award of the Performance-Based Cash Award hereunder shall be construed by any party as being subject to any provisions of ERISA, and shall not be so subject. Without in any way limiting the generality of the foregoing, the Performance-Based Cash Award awarded hereunder shall constitute a mere unfunded promise to pay by the Company and a bonus program within the meaning of Department of Labor Regulation Section 2510.3-2(c) promulgated under ERISA.

9. **Notices.** Any notice required to be delivered to the Company under this Agreement shall be in writing and addressed to the Secretary of the Company at the Company's principal corporate offices. Any notice required to be delivered to the Employee under this Agreement shall be in writing and addressed to the Employee at the Employee's address as shown in the records of the Company. Either party may designate another address in writing (or by such other method approved by the Company) from time to time.

10. **Parachute Payments and Parachute Awards.** If the Employee is a "disqualified individual," as defined in paragraph (c) of Code Section 280G, then, notwithstanding any other provision of this Agreement or of any other agreement, contract, or understanding heretofore entered into by the Employee and the Company (an "Other Agreement"), except an agreement, contract, or understanding that expressly addresses Code Section 280G or Code Section 4999 (a "280G Agreement"), and notwithstanding any formal or informal plan or other arrangement for the direct or indirect provision of compensation to the Employee (or an employee group of which the Employee is a member), whether or not such compensation is deferred, is in cash, or is in the form of a benefit to or for the Employee (a "Benefit Arrangement"), any right the Employee has in respect of payment under this Agreement, any

Other Agreement or any Benefit Arrangement will be reduced or eliminated: (a) to the extent that such right to payment, taking into account all other rights, payments, or benefits to or for the Employee under all Other Agreements and all Benefit Arrangements, would cause the payment to Employee under this Agreement to be considered a "parachute payment" within the meaning of paragraph (b)(2) of Code Section 280G as then in effect (a "Parachute Payment"); and (b) if, as a result of receiving such Parachute Payment, the aggregate after-tax amounts the Employee is entitled to receive from the Company under all Other Agreements and all Benefit Arrangements would be less than the maximum after-tax amount that could be received by the Employee without causing any such payment or benefit to be considered a Parachute Payment. The Company will accomplish such reduction in a manner to be mutually agreed with, and most beneficial for, the Employee. The foregoing shall not be interpreted so as to restrict, reduce, amend or modify any of the existing terms and provisions of any 280G Agreement to which the Employee and the Company may be a party and any payment hereunder shall be entitled to the benefits thereof.

11. Severability. If any provision of this Agreement is determined by a court of competent jurisdiction to be unenforceable, such determination shall not affect the remaining provisions of this Agreement, which shall be enforced to the maximum extent permitted under applicable law.

12. Modification. Subject to the provisions of the Plan, this Agreement may be modified only in writing pursuant to an agreement by and between the Company and the Employee.

13. Headings. The headings contained herein are for convenience of reference only and shall not be construed by any party as having any substantive significance.

14. Clawback. Notwithstanding any other provisions in this Agreement, this Award is subject to recovery under any current or future law, government regulation or stock exchange listing requirement, and is subject to such deductions and clawback as may be required to be made pursuant to such law, government regulation or stock exchange listing requirement (or any policy adopted by the Company at any time pursuant to any such law, government regulation or stock exchange listing requirement).

15. Execution and Counterparts. This Agreement shall be deemed effective as of the Grant Date upon the delivery to the Employee of the Award Certificate hereto (or information contained therein), by electronic or other means of transmission, and such effectiveness shall not require any counterpart signature of the Employee.

16. Section 409A of the Code. If the Employee is deemed a "specified employee" within the meaning of Section 409A of the Code, as determined by the Committee, at a time when the Employee becomes eligible for settlement hereunder upon his/her "separation from service" within the meaning of Section 409A of the Code, then to the extent necessary to prevent any accelerated or additional tax under Section 409A of the Code, such settlement will be delayed until the earlier of: (i) the date that is six months following the Employee's separation from service and (ii) the Employee's death. It is the intent that this Performance Cash Award shall comply with the requirements of Section 409A, and any ambiguities herein will be interpreted to so comply. The Company reserves the right, to the extent the Company deems necessary or advisable in its sole discretion, to unilaterally amend or modify this Agreement as may be necessary to ensure that all vesting or payouts provided under this Agreement are made in a manner that complies with Section 409A or to mitigate any additional tax, interest and/or penalties or other adverse tax consequences that may apply under Section 409A if compliance is not practical; provided, however, that nothing in this paragraph creates an obligation on the part of the Company to modify the terms of this Agreement or the Plan, and the Company makes no representation that the terms of this Performance Cash Award Agreement will comply with Section 409A or that payments under this Performance Cash Award Agreement will not be subject to taxes, interest and penalties or other adverse tax consequences under Section 409A. In no event shall the Company or any of its Subsidiaries be liable to any party for any additional tax, interest or penalties that may be imposed on the Employee by Section 409A or any damages for failing to comply with Section 409A.

2018 LTI NON-EXECUTIVE TIME AND PERFORMANCE-BASED RESTRICTED STOCK UNIT AWARD

THIS 2018 LTI NON-EXECUTIVE TIME AND PERFORMANCE-BASED RESTRICTED STOCK UNIT AWARD (this “Agreement”) is made and entered into as of the 9th day of April, 2018 (the “Grant Date”) by and between the individual whose name appears on the Award Certificate attached hereto (the “Employee”) and PFSweb, Inc., a Delaware corporation (the “Company”), and is issued under and pursuant to the PFSweb, Inc. 2005 Employee Stock and Incentive Plan, as the same may be amended from time to time (the “Plan;” terms defined in the Plan having the same meaning when used herein, except as otherwise defined herein).

NOW, THEREFORE, intending to be legally bound, and for good and valuable consideration, the sufficiency of which is hereby acknowledged, the Company and the Employee hereby agree as follows:

1. Definitions. The following terms (not otherwise defined herein), when used in this Agreement, shall have the following meanings, unless the context clearly requires otherwise (such definitions to be equally applicable to both the singular and plural of the defined terms):

“Adjusted EBITDA” shall mean the amount determined by the Committee as the Company’s “Adjusted EBITDA” for any applicable Fiscal Year (which, for the avoidance of doubt, shall be determined prior to recognition of Performance Based Cash Awards or amounts payable under the Company’s director level bonus program).

“Base Bonus Target” shall mean, as designated by the Committee for each applicable Fiscal Year (i) Adjusted EBITDA for such applicable Fiscal Year equaling or exceeding the amount so designated by the Committee as the Base Bonus Target for such applicable Fiscal Year, or (ii) if applicable, such other Qualified Business Criteria as the Committee shall designate as the Base Bonus Target for such Fiscal Year.

“ERISA” shall mean the Employee Retirement Income Security Act of 1986, as amended.

“Fiscal Year” shall mean the 12-consecutive-month period beginning on January 1 and ending on December 31, so that, by way of example, Fiscal Year 2018 shall mean the 12-consecutive-month period beginning on January 1, 2018 and ending on December 31, 2018.

“Severance Period” shall mean the period following the termination of the Employee’s employment by the Company during which the Employee is entitled to continue to receive his or her base compensation pursuant to a written severance agreement.

“Vesting Date” shall mean each of December 31, 2018, December 31, 2019 and December 31, 2020, as applicable or as the context may require.

2. Issuance and Vesting of Restricted Stock Units. Subject to the vesting conditions set forth herein and the other terms and provisions of the Plan, the Company hereby issues to the Employee the number of Restricted Units set forth in the Award Certificate attached hereto. Except as otherwise set forth herein or in the Plan, provided that (i) the applicable Base Bonus Target is achieved for the Fiscal Year ending on the corresponding Vesting Date, and (ii) the Employee retains his/her Continuous Status

as a Participant through the applicable Vesting Date set forth below, then for each Vesting Date the corresponding number of Restricted Stock Units set forth below will vest on the day following the applicable Vesting Date.

Vesting Date/Fiscal Year	Number of Vested Restricted Stock Units
December 31, 2018	33.33% of the number of Restricted Stock Units
December 31, 2019	33.33% of the number of Restricted Stock Units
December 31, 2020	33.34% of the number of Restricted Stock Units

If the Base Bonus Target is not achieved for any applicable Fiscal Year, the unvested portion of the Restricted Stock Unit Award shall not vest for such Fiscal Year. Subject to the Employee retaining his/her Continuous Status as a Participant through the applicable Vesting Date, failure to achieve the Base Bonus Target for any Fiscal Year, shall not affect any subsequent Fiscal Year – e.g., if the Company achieves the Base Bonus Target for the 2018 Fiscal Year and the 2020 Fiscal Year, but fails to achieve the Base Bonus Target for the 2019 Fiscal Year, then, subject to the Employee retaining his/her Continuous Status as a Participant through the applicable Vesting Date, 33.33% of the Restricted Stock Units will vest for the 2018 Fiscal Year and 33.34% of the Restricted Stock Units will vest for the 2020 Fiscal Year.

3. Determination of Base Bonus Target Achievement. The Committee, in its sole and absolute discretion, shall determine whether the Base Bonus Target has been achieved. Such determination, which shall be final and binding on all parties, shall be certified in writing as soon as administratively practicable following each Vesting Date.

4. Vesting of Restricted Stock Units; Forfeiture. The Employee shall have no vested right in the Restricted Stock Units for any Fiscal Year unless the Committee certifies that the Base Bonus Target has been achieved for such Fiscal Year. Such achievement, as evidenced by such certification by the Committee, shall be construed by all parties as a condition related to the purpose of the compensation for purposes of Section 409A of the Code. Provided that such certification is made, and the Employee is employed by the Company as of the applicable Vesting Date set forth in Section 2 above, vesting of the number of Restricted Stock Units to which the Employee may be entitled hereunder shall occur as of the day following such Vesting Date. If, prior to any Vesting Date, the Employee voluntarily leaves employment with the Company other than for Good Reason or is terminated by the Company for Cause, the Employee shall forfeit the entirety of the Restricted Stock Units otherwise issuable hereunder.

5. Additional Vesting Provisions.

(a) Upon the termination of the Employee’s employment by the Company without Cause or if the Employee’s employment by the Company is terminated by the Employee for Good Reason, then (i) if applicable, for purposes of Section 2 of this Agreement, the Employee shall be deemed employed by the Company through the last day of any Severance Period which shall be deemed the last day of the Employee’s Continuous Status as a Participant, and (ii) subject to the achievement of the Base Bonus Target for such Fiscal Year, the Employee shall be entitled to a portion of the Restricted Stock Units otherwise issuable on the Vesting Date immediately following the date of termination of employment (as determined in accordance with the preceding clause (i)), equal to the amount of the Restricted Stock Units to which the Employee would have vested hereunder on such Vesting Date but for the termination of his or her employment, multiplied by a fraction, the numerator of which is the number of days the Employee is employed (or deemed employed in accordance with the preceding clause (i)) by the Company during the Fiscal Year in which the termination (or deemed termination) occurred and the denominator of which is 365, and such portion shall be deemed vested as of the date of termination of employment (without regard for the provisions of clause (i) herein) and (iii) all other unvested Restricted Stock Units hereunder shall be deemed terminated and forfeited. For the avoidance of doubt, for purposes

of this clause (a), to the extent the first day of a Severance Period is in one Fiscal Year and the last day of such Severance period is in the following Fiscal Year, the Employee shall be deemed employed (1) during the entirety of such first Fiscal Year and (2) for that portion of the following Fiscal Year which corresponds to the Severance Period applicable thereto.

(b) Upon termination of employment as the result of the death or Disability of the Employee, the heirs or estate of the deceased Employee or the Disabled Employee shall, subject to the achievement of the Base Bonus Target for the applicable Fiscal Year, be deemed vested in all unvested Restricted Stock Units as of each Vesting Date following such date of termination.

(c) Notwithstanding the provisions of Sections 5(a) and (b) above, upon the occurrence of a Change in Control, (i) all unvested Restricted Stock Units for the Fiscal Year in which the Change in Control occurs shall be deemed automatically vested at such time as may be necessary or required in order for the Employee to be deemed the lawful owner and holder of record of the shares of Stock to be issued thereunder as of the effective date and time of the Change in Control, and (ii) except as set forth in the preceding clause, all other unvested Restricted Stock Units hereunder shall be deemed terminated as of the effective date and time of the Change in Control.

6. Settlement of Restricted Stock Units.

(a) Each Restricted Stock Unit represents the right to receive one share of Stock, subject to the terms and conditions set forth in this Agreement and the Plan. The Restricted Stock Units shall be credited to a separate account maintained for the Employee on the books and records of the Company (the "**Account**"). All amounts credited to the Account shall continue for all purposes to be part of the general assets of the Company.

(b) Subject to the provisions hereof, no later than the last day of Fiscal Year following the applicable Vesting Date, the Company shall (i) issue and deliver to the Employee the number of shares of Stock equal to the number of vested Restricted Stock Units (rounded up to the nearest whole share); and (ii) enter the Employee's name on the books of the Company as the shareholder of record with respect to the shares of Stock delivered to the Employee (which entry shall be deemed made as of the day following the last day of each applicable Fiscal Year notwithstanding any later delivery of the corresponding shares of Common Stock). Notwithstanding the foregoing, but subject to the provisions of the preceding clause (ii) and Section 16 below, any shares of Stock to be issued in settlement of Restricted Stock Units (i) under Section 5(a) or (b) above shall be issued no later than March 15 following the last day of the Fiscal Year in which the Employee (or heirs or estate thereof) is deemed vested therein, and (ii) under Section 5(c) above shall be issued no later than such time as may be necessary or required in order for the Employee to be deemed the lawful owner and holder of record of the shares of Stock to be issued thereunder as of the effective date and time of the Change in Control.

(c) Subject to any exceptions set forth in this Agreement or the Plan, prior to the vesting of the Restricted Stock Units hereunder, the Restricted Stock Units or the rights relating thereto may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Employee. Any attempt to assign, alienate, pledge, attach, sell or otherwise transfer or encumber the Restricted Stock Units or the rights relating thereto during such period shall be wholly ineffective and, if any such attempt is made, the unvested Restricted Stock Units will be forfeited by the Employee and all of the Employee's rights to shares issuable thereunder shall immediately terminate without any payment or consideration by the Company.

(d) The Employee shall have no rights in, to or under the shares of Stock to be issued upon the vesting of the Restricted Stock Units unless and until the vesting conditions set forth herein are satisfied and, until such date, shall have no rights of a shareholder of the Company including, without limitation, no right to vote such shares and no right to receive any dividends or other distributions paid with respect to such shares. Notwithstanding the foregoing, if during any Fiscal Year, the Company declares a dividend or distribution, whether in cash or other property, then, concurrent with the issuance of the shares of Stock, if any, to the Employee for such Fiscal Year, the Company shall pay to the Employee that amount of cash or other property which the Employee would have received had the Employee been the record holder of such shares of Stock on the record date for such dividend or distribution.

(e) Upon vesting of the Restricted Stock Units, the Company may issue stock certificates or evidence the Employee's interest therein by using a book entry account with the Company's transfer agent.

7. Provisions of Plan.

(a) *Adjustments.* If any change is made to the outstanding Stock or the capital structure of the Company, the shares of Stock to be issued hereunder shall be adjusted or terminated in any manner as contemplated by Article 16 of the Plan.

(b) *Tax Liability and Withholding.* The Employee shall be required to pay to the Company, and the Company shall have the right to deduct from the shares of Stock to be issued upon the vesting of the Restricted Stock Units, the amount of any required withholding taxes in respect of the shares of Stock to be issued upon the vesting of the Restricted Stock Units and to take all such other action as the Company deems necessary to satisfy all obligations for the payment of such withholding taxes.

(c) Except as provided herein, the provisions of this Agreement shall be subject to the provisions of the Plan, which are hereby incorporated herein by reference and made part hereof. The Employee acknowledges and agrees that he or she has been provided with and has read the Plan and understands the provisions thereof. In the event of any conflict between the terms of the Plan and the terms of this Agreement, the terms of the Plan shall take precedence, other than for such provisions of the Plan which, by their terms, are subject to the provisions of an Award Certificate.

8. No ERISA Plan. Neither this Agreement nor the award of the Restricted Stock Units hereunder shall be construed by any party as being subject to any provisions of ERISA, and shall not be so subject. Without in any way limiting the generality of the foregoing, the Restricted Stock Units awarded hereunder shall constitute a mere unfunded promise to pay by the Company and a bonus program within the meaning of Department of Labor Regulation Section 2510.3-2(c) promulgated under ERISA.

9. Compliance with Law. The issuance of shares of Stock hereunder shall be subject to compliance by the Company and the Employee with all applicable requirements of federal and state securities laws and with all applicable requirements of any stock exchange on which the Company's shares of Stock may be listed. No shares of Stock shall be issued or transferred unless and until any then applicable requirements of state and federal laws and regulatory agencies have been fully complied with to the satisfaction of the Company and its counsel.

10. Notices. Any notice required to be delivered to the Company under this Agreement shall be in writing and addressed to the Secretary of the Company at the Company's principal corporate offices. Any notice required to be delivered to the Employee under this Agreement shall be in writing and addressed to the Employee at the Employee's address as shown in the records of the Company. Either party may designate another address in writing (or by such other method approved by the Company) from time to time.

11. Parachute Payments and Parachute Awards. If the Employee is a "disqualified individual," as defined in paragraph (c) of Code Section 280G, then, notwithstanding any other provision of this Agreement or of any other agreement, contract, or understanding heretofore entered into by the Employee and the Company (an "Other Agreement"), except an agreement, contract, or understanding that expressly addresses Code Section 280G or Code Section 4999 (a "280G Agreement"), and notwithstanding any formal or informal plan or other arrangement for the direct or indirect provision of compensation to the Employee (or an employee group of which the Employee is a member), whether or not such compensation is deferred, is in cash, or is in the form of a benefit to or for the Employee (a "Benefit Arrangement"), any right the Employee has in respect of payment under this Agreement, any Other Agreement or any Benefit Arrangement will be reduced or eliminated: (a) to the extent that such right to payment, taking into account all other rights, payments, or benefits to or for the Employee under all Other Agreements and all Benefit Arrangements, would cause the payment to Employee under this Agreement to be considered a "parachute payment" within the meaning of paragraph (b)(2) of Code Section 280G as then in effect (a "Parachute Payment"); and (b) if, as a result of receiving such Parachute Payment, the aggregate after-tax amounts the Employee is entitled to receive from the Company under all Other Agreements and all Benefit Arrangements would be less than the maximum after-tax amount that could be received by the Employee without causing any such payment or benefit to be considered a Parachute Payment. The Company will accomplish such reduction in a manner to be mutually agreed with, and most beneficial for, the Employee. The foregoing shall not be interpreted so as to restrict, reduce, amend or modify any of the existing terms and provisions of any 280G Agreement to which the Employee and the Company may be a party and any payment hereunder shall be entitled to the benefits thereof.

12. Severability. If any provision of this Agreement is determined by a court of competent jurisdiction to be unenforceable, such determination shall not affect the remaining provisions of this Agreement, which shall be enforced to the maximum extent permitted under applicable law.

13. Modification. Subject to the provisions of the Plan, this Agreement may be modified only in writing pursuant to an agreement by and between the Company and the Employee.

14. Headings. The headings contained herein are for convenience of reference only and shall not be construed by any party as having any substantive significance.

15. Clawback. Notwithstanding any other provisions in this Agreement, this Award is subject to recovery under any current or future law, government regulation or stock exchange listing requirement, and is subject to such deductions and clawback as may be required to be made pursuant to such law, government regulation or stock exchange listing requirement (or any policy adopted by the Company at any time pursuant to any such law, government regulation or stock exchange listing requirement).

16. Section 409A of the Code. If the Employee is deemed a "specified employee" within the meaning of Section 409A of the Code, as determined by the Committee, at a time when the Employee becomes eligible for settlement of the Restricted Stock Units upon his/her "separation from service" within the meaning of Section 409A of the Code, then to the extent necessary to prevent any accelerated or additional tax under Section 409A of the Code, such settlement will be delayed until the earlier of: (i) the date that is six months following the Employee's separation from service and (ii) the Employee's death. It is the intent that this Restricted Stock Unit Award shall comply with the requirements of Section 409A, and any ambiguities herein will be interpreted to so comply. The Company reserves the right, to the extent the Company deems necessary or advisable in its sole discretion, to unilaterally amend or modify this Agreement as may be necessary to ensure that all vesting or payouts provided under this Agreement are made in a manner that complies with Section 409A or to mitigate any additional tax, interest and/or penalties or other adverse tax consequences that may apply under Section 409A if compliance is not practical; provided, however, that nothing in this paragraph creates an obligation on the part of the Company to modify the terms of this Agreement or the Plan, and the Company makes no representation that the terms of this Restricted Stock Unit Award Agreement will comply with Section 409A or that payments under this Restricted Stock Unit Award Agreement will not be subject to taxes, interest and penalties or other adverse tax consequences under Section 409A. In no event shall the Company or any of its Subsidiaries be liable to any party for any additional tax, interest or penalties that may be imposed on the Employee by Section 409A or any damages for failing to comply with Section 409A.

17. Execution and Counterparts. This Agreement shall be deemed effective as of the Grant Date upon the delivery to the Employee of the Award Certificate hereto (or information contained therein) by electronic or other means of transmission, and such effectiveness shall not require any counterpart signature of the Employee.

DEFERRED STOCK UNIT AWARD AGREEMENT

THIS AGREEMENT (this "Agreement") dated as of _____ (the "Date of Grant") between PFSweb, Inc., a Delaware corporation (the "Company"), and the Participant set forth on the signature page to this Agreement (the "Participant"). All capitalized terms not defined herein shall have the meaning set forth in the 2005 Employee Stock Option and Incentive Plan (as amended to date, the "Plan") of the Company.

WHEREAS, the Company, acting through the Committee, has authorized the issuance of an Award of a number of Deferred Stock Units on the terms and subject to the conditions set forth in this Agreement and the Plan.

NOW, THEREFORE, in consideration of the promises and of the mutual agreements contained in this Agreement, the parties hereto hereby agree as follows:

1. Grant of DSUs. Effective on the Date of Grant, the Company hereby grants to the Participant the number of Deferred Stock Units ("DSUs") listed on the attached signature page, on the terms and conditions hereinafter set forth. This grant is made pursuant to the terms of the Plan.

2. Payment of Shares. The Company shall, subject to the remainder of this Agreement, issue to the Participant a number of Shares equal to the number of DSUs granted to the Participant under this Agreement on, or within, and not later than, 30 days following, the date on which the Participant ceases to serve as a member of the Board of Directors of the Company. Said Shares shall be issued in certificate or book-entry form and in accordance with such administrative procedures as the Committee shall determine to be necessary or appropriate.

3. Adjustments Upon Certain Events. The number of Shares to be issued hereunder shall be adjusted in accordance with, and subject to the occurrence of an event set forth in, Section 16.1 of the Plan.

4. No Right to Continued Service as a Director. Neither the Plan nor this Agreement shall be construed as giving the Participant the right to continue to serve as a director of the Company.

5. No Rights of a Shareholder. The Participant shall not have any rights as a shareholder of the Company in respect of the Shares to be issued hereunder, including any right to vote said Shares or receive dividends thereon, until the Shares have been issued hereunder.

6. Transferability. The DSUs evidenced hereby may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant otherwise than by will or by the laws of descent and distribution, and any purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance not permitted by this Section shall be void and unenforceable against the Company.

7. Choice of Law. THE INTERPRETATION, PERFORMANCE AND ENFORCEMENT OF THE PARTICIPANT'S RIGHTS WITH RESPECT TO THE DSUs SHALL BE GOVERNED BY THE LAWS OF THE STATE OF DELAWARE WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

8. DSUs Subject to Plan. By accepting the award of DSUs, the Participant agrees and acknowledges that the Participant has received and read a copy of the Plan and that all DSUs are subject to the Plan. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.

9. Section 409A. Notwithstanding anything in this Agreement to the contrary, any payments hereunder that would be subject to the additional income tax imposed by Section 409A of the Internal Revenue Code of 1986, as amended, shall be deferred until the earliest date that such payments may be made without the imposition of such tax.

DEFERRED STOCK UNIT AWARD AGREEMENT SIGNATURE PAGE

In Witness Whereof, effective as of the Date of Grant, the Company has executed and delivered this Deferred Stock Unit Award Agreement.

Date of Grant:	
Name of Holder:	
Number of DSUs:	
DSU Certificate Number:	

PFSWEB, INC.

By: _____
Its: _____

**CERTIFICATIONS OF PRINCIPAL EXECUTIVE
OFFICER PURSUANT TO 18 U.S.C. SECTION 1350**

I, Michael Willoughby, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PFSweb, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2018

By: /s/ Michael Willoughby
Chief Executive Officer

**CERTIFICATIONS OF PRINCIPAL FINANCIAL
OFFICER PURSUANT TO 18 U.S.C. SECTION 1350**

I, Tom Madden, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PFSweb, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2018

By: /s/ Thomas J. Madden
Chief Financial Officer

CERTIFICATIONS PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of PFSweb, Inc. (the "Company"), does hereby certify that:

The Quarterly Report on Form 10-Q for the period ended June 30, 2018 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in the Form 10-Q.

August 9, 2018

/s/ Michael Willoughby
Michael Willoughby
Chief Executive Officer

August 9, 2018

/s/ Thomas J. Madden
Thomas J. Madden
Chief Financial Officer

The foregoing certification is being furnished as an exhibit to the Form 10-Q pursuant to Item 601(b)(32) of Regulation S-K and Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and, accordingly, is not being filed as part of the Form 10-Q for purposes of Section 18 of the Securities Exchange Act of 1934, as whether made before or after the date hereof, regardless of any general incorporation language in such filing.

A signed original of this written statement required by Section 906 has been provided to PFSweb, Inc. and will be retained by PFSweb, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

