
**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, 2021

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)

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

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

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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.001 par value	PFSW	NASDAQ Capital Market

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 every Interactive Data File required to be submitted 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
Non-accelerated filer

Accelerated filer
Smaller Reporting Company
Emerging growth company

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 February 2, 2022, there were 22,132,876 shares of registrant's common stock outstanding.

PFSWEB, INC. AND SUBSIDIARIES

Form 10-Q

INDEX

	<u>Page Number</u>
PART I. FINANCIAL INFORMATION	
<u>Item 1. Financial Statements:</u>	
<u>Condensed Consolidated Balance Sheets as of June 30, 2021 (Unaudited) and December 31, 2020</u>	<u>4</u>
<u>Unaudited Condensed Consolidated Statements of Operations and Comprehensive Loss for the Three and Six Months Ended June 30, 2021 and 2020</u>	<u>5</u>
<u>Unaudited Condensed Consolidated Statements of Shareholders' Equity for the Three and Six Months Ended June 30, 2021 and 2020</u>	<u>6</u>
<u>Unaudited Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2021 and 2020</u>	<u>8</u>
<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	<u>9</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>18</u>
<u>Item 3. Quantitative and Qualitative Disclosure about Market Risk</u>	<u>23</u>
<u>Item 4. Controls and Procedures</u>	<u>23</u>
PART II. OTHER INFORMATION	
<u>Item 1. Legal Proceedings</u>	<u>25</u>
<u>Item 1A. Risk Factors</u>	<u>25</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>26</u>
<u>Item 3. Defaults Upon Senior Securities</u>	<u>26</u>
<u>Item 4. Mine Safety Disclosure</u>	<u>26</u>
<u>Item 5. Other Information</u>	<u>26</u>
<u>Item 6. Exhibits</u>	<u>27</u>
SIGNATURES	<u>28</u>

PART I. FINANCIAL INFORMATION
ITEM 1. Financial Statements

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

	(Unaudited) June 30, 2021	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 12,486	\$ 10,359
Restricted cash	214	214
Accounts receivable, net of allowance for doubtful accounts of \$548 and \$611 at June 30, 2021 and December 31, 2020, respectively	49,117	69,594
Inventories, net of reserves of \$107 and \$96 at June 30, 2021 and December 31, 2020, respectively	4,036	3,644
Other receivables	2,530	3,314
Prepaid expenses and other current assets	6,020	7,524
Current assets of discontinued operations	54,465	13,920
Total current assets	128,868	108,569
Property and equipment:		
Cost	95,588	97,343
Less: accumulated depreciation	(78,415)	(79,826)
	17,173	17,517
Operating lease right-of-use assets, net	33,945	34,350
Goodwill	22,358	22,358
Other assets	1,557	385
Long-term assets of discontinued operations	—	31,717
Total assets	\$ 203,901	\$ 214,896
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	\$ 26,982	\$ 34,613
Accrued expenses	20,008	26,242
Current portion of operating lease liabilities	9,391	9,399
Current portion of long-term debt and finance lease obligations	49,732	3,411
Deferred revenues	3,216	4,595
Current liabilities of discontinued operations	11,049	6,285
Total current liabilities	120,378	84,545
Long-term debt and capital lease obligations, less current portion	151	39,069
Deferred revenue, less current portion	1,374	1,341
Operating lease liabilities, less current portion	29,279	30,012
Other liabilities	6,529	5,286
Long-term liabilities of discontinued operations	—	545
Total liabilities	157,711	160,798
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; 21,209,300 and 20,408,558 issued at June 30, 2021 and December 31, 2020, respectively; and 21,175,833 and 20,375,091 outstanding at June 30, 2021 and December 31, 2020, respectively	21	20
Additional paid-in capital	170,486	168,244
Accumulated deficit	(123,554)	(113,712)
Accumulated other comprehensive loss	(638)	(329)
Treasury stock at cost, 33,467 shares	(125)	(125)
Total shareholders' equity	46,190	54,098
Total liabilities and shareholders' equity	\$ 203,901	\$ 214,896

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,	
	2021	2020	2021	2020
Revenues:				
Service fee revenue	\$ 43,009	\$ 44,852	\$ 88,529	\$ 81,577
Product revenue, net	4,492	5,915	8,800	13,447
Pass-through revenue	13,598	14,524	24,474	29,393
Total revenues	61,099	65,291	121,803	124,417
Costs of Revenues:				
Cost of service fee revenue	31,863	31,561	65,393	56,833
Cost of product revenue	4,284	5,590	8,370	12,713
Cost of pass-through revenue	13,598	14,524	24,474	29,393
Total costs of revenues	49,745	51,675	98,237	98,939
Gross profit	11,354	13,616	23,566	25,478
Selling, general and administrative expenses	15,678	12,514	28,609	25,075
Income (loss) from operations	(4,324)	1,102	(5,043)	403
Interest expense, net	333	374	708	788
Income (loss) before income taxes	(4,657)	728	(5,751)	(385)
Income tax expense (benefit), net	(155)	332	124	613
Net income (loss) from continuing operations	(4,502)	396	(5,875)	(998)
Income (loss) from discontinued operations before income taxes	(590)	(1,088)	(1,410)	233
Income tax expense, net	2,528	161	2,557	186
Net income (loss) from discontinued operations	(3,118)	(1,249)	(3,967)	47
Net loss	\$ (7,620)	\$ (853)	\$ (9,842)	\$ (951)
Basic earnings (loss) per share:				
Net income (loss) from continuing operations per share	\$ (0.21)	\$ 0.02	\$ (0.28)	\$ (0.05)
Net income (loss) from discontinued operations per share	(0.15)	(0.06)	(0.19)	—
Basic loss per share	\$ (0.36)	\$ (0.04)	\$ (0.47)	\$ (0.05)
Diluted earnings (loss) per share:				
Net income (loss) from continuing operations per share	\$ (0.21)	\$ 0.02	\$ (0.28)	\$ (0.05)
Net income (loss) from discontinued operations per share	(0.15)	(0.06)	(0.19)	—
Diluted loss per share	\$ (0.36)	\$ (0.04)	\$ (0.47)	\$ (0.05)
Weighted average number of shares outstanding:				
Basic	21,166	19,800	21,221	19,739
Diluted	21,166	20,527	21,221	19,739
Comprehensive loss:				
Net loss	\$ (7,620)	\$ (853)	\$ (9,842)	\$ (951)
Foreign currency translation adjustment	46	(77)	(309)	(1,021)
Total comprehensive loss	\$ (7,574)	\$ (930)	\$ (10,151)	\$ (1,972)

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

PFSWEB, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In Thousands, Except Share Data)

Three Months Ended June 30, 2021

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Total Shareholders' Equity
	Shares	Amount				Shares	Amount	
Balance, March 31, 2021	20,482,974	\$ 20	\$ 169,474	\$ (115,934)	\$ (684)	33,467	\$ (125)	\$ 52,751
Net loss	—	—	—	(7,620)	—	—	—	(7,620)
Stock-based compensation	—	—	2,601	—	—	—	—	2,601
Exercise of stock options	68,667	—	320	—	—	—	—	320
Issuance of shares under stock-based compensation awards	657,659	1	(1)	—	—	—	—	—
Tax withholding on shares under stock-based compensation awards	—	—	(1,908)	—	—	—	—	(1,908)
Foreign currency translation	—	—	—	—	46	—	—	46
Balance, June 30, 2021	21,209,300	\$ 21	\$ 170,486	\$ (123,554)	\$ (638)	33,467	\$ (125)	\$ 46,190

Six Months Ended June 30, 2021

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Total Shareholders' Equity
	Shares	Amount				Shares	Amount	
Balance, December 31, 2020	20,408,558	\$ 20	\$ 168,244	\$ (113,712)	\$ (329)	33,467	\$ (125)	\$ 54,098
Net loss	—	—	—	(9,842)	—	—	—	(9,842)
Stock-based compensation	—	—	3,454	—	—	—	—	3,454
Exercise of stock options	143,083	—	697	—	—	—	—	697
Issuance of shares under stock-based compensation awards	657,659	1	(1)	—	—	—	—	—
Tax withholding on shares under stock-based compensation awards	—	—	(1,908)	—	—	—	—	(1,908)
Foreign currency translation	—	—	—	—	(309)	—	—	(309)
Balance, June 30, 2021	21,209,300	\$ 21	\$ 170,486	\$ (123,554)	\$ (638)	33,467	\$ (125)	\$ 46,190

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

PFSWEB, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (cont.)
(In Thousands, Except Share Data)

Three Months Ended June 30, 2020

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Total Shareholders' Equity
	Shares	Amount				Shares	Amount	
Balance, March 31, 2020	19,499,220	\$ 19	\$ 158,664	\$ (108,841)	\$ (2,245)	33,467	\$ (125)	\$ 47,472
Net loss	—	—	—	(853)	—	—	—	(853)
Stock-based compensation	—	—	5,153	—	—	—	—	5,153
Exercise of stock options	34,500	—	127	—	—	—	—	127
Issuance of shares under stock-based compensation awards	443,011	—	—	—	—	—	—	—
Tax withholding on shares under stock- based compensation awards	—	—	(805)	—	—	—	—	(805)
Foreign currency translation adjustment, net of taxes	—	—	—	—	(77)	—	—	(77)
Balance, June 30, 2020	19,976,731	\$ 19	\$ 163,139	\$ (109,694)	\$ (2,322)	33,467	\$ (125)	\$ 51,017

Six Months Ended June 30, 2020

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Total Shareholders' Equity
	Shares	Amount				Shares	Amount	
Balance, December 31, 2019	19,465,877	\$ 19	\$ 158,192	\$ (108,743)	\$ (1,301)	33,467	\$ (125)	\$ 48,042
Net loss	—	—	—	(951)	—	—	—	(951)
Stock-based compensation	—	—	5,698	—	—	—	—	5,698
Exercise of stock options	34,500	—	127	—	—	—	—	127
Issuance of shares under stock-based compensation awards	476,354	—	—	—	—	—	—	—
Tax withholding on shares under stock- based compensation awards	—	—	(878)	—	—	—	—	(878)
Foreign currency translation adjustment, net of taxes	—	—	—	—	(1,021)	—	—	(1,021)
Balance, June 30, 2020	19,976,731	\$ 19	\$ 163,139	\$ (109,694)	\$ (2,322)	33,467	\$ (125)	\$ 51,017

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,	
	2021	2020
Cash flows from operating activities:		
Net loss	\$ (9,842)	\$ (951)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	4,262	4,249
Deferred income taxes	(77)	102
Stock-based compensation expense	3,454	5,698
Other	62	471
Changes in operating assets and liabilities:		
Accounts receivable	14,504	6,666
Inventories	(412)	(1,096)
Prepaid expenses, other receivables and other assets	1,714	(2,194)
Operating leases	(301)	(693)
Trade accounts payable, deferred revenues, accrued expenses and other liabilities	(13,688)	(15,056)
Net cash used in operating activities	(324)	(2,804)
Cash flows from investing activities:		
Purchases of property and equipment	(1,985)	(1,722)
Proceeds from sale of property and equipment	6	142
Net cash used in investing activities	(1,979)	(1,580)
Cash flows from financing activities:		
Net proceeds from issuance of common stock	697	127
Taxes paid on behalf of employees for withheld shares	(1,908)	(878)
Payments on finance lease obligations	(511)	(653)
Payments on revolving loan	(84,830)	(71,707)
Borrowings on revolving loan	92,630	74,707
Payments on other debt	(1,330)	(946)
Borrowings on other debt	49	1,193
Net cash provided by financing activities	4,797	1,843
Effect of exchange rates on cash, cash equivalents and restricted cash	(389)	(213)
Net increase (decrease) in cash and cash equivalents	2,105	(2,754)
Cash and cash equivalents, beginning of period	10,359	11,354
Restricted cash, beginning of period	214	214
Cash and cash equivalents discontinued operations, beginning of period	392	1,080
Cash, cash equivalents and restricted cash, beginning of period	10,965	12,648
Cash and cash equivalents, end of period	12,486	8,964
Restricted cash, end of period	214	214
Cash and cash equivalents discontinued operations, end of period	370	716
Cash, cash equivalents and restricted cash, end of period	\$ 13,070	\$ 9,894
Supplemental cash flow information:		
Cash paid for income taxes	\$ 2,466	\$ 466
Cash paid for interest	\$ 619	\$ 742
Non-cash investing and financing activities:		
Property and equipment acquired under long-term debt and finance leases	\$ 1,818	\$ 1,489

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

PFSWEB, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of PFSweb, Inc. and its subsidiaries 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, statements of shareholders' equity, 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 our Annual Report on Form 10-K for the year ended December 31, 2020. We refer to PFSweb, Inc. and its subsidiaries collectively as “PFSweb,” the “Company,” “us,” “we” and “our” in these unaudited condensed consolidated financial statements.

In July 2021, we announced an agreement to sell our LiveArea Professional Services business unit (“LiveArea”) and the divestiture was completed on August 25, 2021 (“the LiveArea Transaction”). As of June 30, 2021, the criteria for reporting LiveArea as a discontinued operation were met and as such, all periods presented in the Company's Quarterly Report on Form 10-Q for the three and six months ended June 30, 2021 (this “Form 10-Q”) have been recast to present LiveArea as a discontinued operation. Results of our operations for interim periods may not be indicative of results for the full fiscal year. See Note 3. Discontinued Operations and Note 9. Subsequent Events for additional information on our sale of LiveArea.

Revision of previously issued consolidated financial statements

In connection with the preparation of its financial statements for the quarter ended June 30, 2021, the Company identified an immaterial error related to deferred income taxes that were incorrectly recorded in prior periods. In accordance with Staff Accounting Bulletin (“SAB”) No. 99, Materiality and SAB No. 108, Considering the Effects of Prior Year Misstatements When Quantifying Misstatements in Current Year Financial Statements, the Company evaluated the materiality of this error both quantitatively and qualitatively and determined that it was not material to any previously issued interim or annual consolidated financial statements. However, adjusting for the cumulative effect of this error in the consolidated statement of operations for the three months ended June 30, 2021 would be material to the Company's results for this period as the cumulative amount of the error increased over time. As such, the Company has revised its previously issued consolidated balance sheet as of December 31, 2020 and its unaudited condensed consolidated financial statements for the three and six months ended June 30, 2020 to correct the error.

The accompanying financial statements and relevant footnotes to the condensed consolidated financial statements in this Form 10-Q have been revised to correct for the immaterial error discussed above. The tables below provide reconciliations of our previously reported amounts to our revised amounts to correct for the immaterial error and to recast certain amounts in order to present LiveArea as a discontinued operation in the Company's consolidated balance sheet as of December 31, 2020 and its unaudited condensed consolidated financial statements for the three and six months ended June 30, 2020. See Note 3. Discontinued Operations and Note 9. Subsequent Events for additional information on our sale of LiveArea.

The effect of the above adjustments on the consolidated balance sheet at December 31, 2020 is as follows (in thousands):

	December 31, 2020			
	As Previously Reported	Adjustments		As Revised
		Discontinued Operations	Deferred Tax Asset	
Long-term assets of discontinued operations	\$ —	\$ 29,982	\$ 1,735	\$ 31,717
Total assets	\$ 213,161	\$ —	\$ 1,735	\$ 214,896
Accumulated deficit	\$ (115,447)	\$ —	\$ 1,735	\$ (113,712)
Total shareholders' equity	\$ 52,363	\$ —	\$ 1,735	\$ 54,098
Total liabilities and shareholders' equity	\$ 213,161	\$ —	\$ 1,735	\$ 214,896

The effect of the above adjustments on the consolidated statement of operations and comprehensive income (loss) for the three months ended June 30, 2020 is as follows (in thousands, except per share data):

	Three Months Ended June 30, 2020			
	As Previously Reported	Adjustments		As Revised
		Discontinued Operations	Deferred Tax Asset	
Income (loss) from discontinued operations before income taxes	\$ —	\$ (1,088)	\$ —	\$ (1,088)
Income tax expense (benefit), net	—	295	(134)	161
Net income (loss) from discontinued operations	—	(1,383)	134	(1,249)
Net income (loss)	\$ (987)	\$ —	\$ 134	\$ (853)
Basic earnings (loss) per share:				
Net income (loss) from discontinued operations per share	\$ —	\$ (0.07)	\$ 0.01	\$ (0.06)
Basic income (loss) per share	\$ (0.05)	\$ —	\$ 0.01	\$ (0.04)
Diluted earnings (loss) per share:				
Net income (loss) from discontinued operations per share	\$ —	\$ (0.07)	\$ 0.01	\$ (0.06)
Diluted income (loss) per share	\$ (0.05)	\$ —	\$ 0.01	\$ (0.04)
Comprehensive income (loss):				
Net income (loss)	\$ (987)	\$ —	\$ 134	\$ (853)
Total comprehensive income (loss)	\$ (1,064)	\$ —	\$ 134	\$ (930)

The effect of the above adjustments on the consolidated statement of operations and comprehensive income (loss) for the six months ended June 30, 2020 is as follows (in thousands, except per share data):

	Six Months Ended June 30, 2020			
	As Previously Reported	Adjustments		As Revised
		Discontinued Operations	Deferred Tax Asset	
Income (loss) from discontinued operations before income taxes	\$ —	\$ 233	\$ —	\$ 233
Income tax expense (benefit), net	—	453	(267)	186
Net income (loss) from discontinued operations	—	(220)	267	47
Net income (loss)	\$ (1,218)	\$ —	\$ 267	\$ (951)
Basic earnings (loss) per share:				
Net income (loss) from discontinued operations per share	\$ —	\$ (0.01)	\$ 0.01	\$ —
Basic income (loss) per share	\$ (0.06)	\$ —	\$ 0.01	\$ (0.05)
Diluted earnings (loss) per share:				
Net income (loss) from discontinued operations per share	\$ —	\$ (0.01)	\$ 0.01	\$ —
Diluted income (loss) per share	\$ (0.06)	\$ —	\$ 0.01	\$ (0.05)
Comprehensive income (loss):				
Net income (loss)	\$ (1,218)	\$ —	\$ 267	\$ (951)
Total comprehensive income (loss)	\$ (2,239)	\$ —	\$ 267	\$ (1,972)

The effect of the above adjustments on the consolidated statement of shareholders' equity for the three months ended June 30, 2020 is as follows (in thousands):

	Three Months Ended June 30, 2020			
	As Previously Reported	Adjustments		As Revised
		Discontinued Operations	Deferred Tax Asset	
Accumulated deficit				
Balance, March 31, 2020	\$ (110,174)	\$ —	\$ 1,333	\$ (108,841)
Net loss	(987)	—	134	(853)
Balance, June 30, 2020	<u>\$ (111,161)</u>	<u>\$ —</u>	<u>\$ 1,467</u>	<u>\$ (109,694)</u>

The effect of the above adjustments on the consolidated statement of shareholders' equity for the six months ended June 30, 2020 is as follows (in thousands):

	Six Months Ended June 30, 2020			
	As Previously Reported	Adjustments		As Revised
		Discontinued Operations	Deferred Tax Asset	
Accumulated deficit				
Balance, December 31, 2019	\$ (109,943)	\$ —	\$ 1,200	\$ (108,743)
Net loss	(1,218)	—	267	(951)
Balance, June 30, 2020	<u>\$ (111,161)</u>	<u>\$ —</u>	<u>\$ 1,467</u>	<u>\$ (109,694)</u>

The effect of the above adjustments on the consolidated statement of cash flows for the six months ended June 30, 2020 is as follows (in thousands):

	Six Months Ended June 30, 2020			
	As Previously Reported	Adjustments		As Revised
		Discontinued Operations	Deferred Tax Asset	
Cash flows from operating activities:				
Net loss	\$ (1,218)	\$ —	\$ 267	\$ (951)
Deferred income taxes	\$ 369	\$ —	\$ (267)	\$ 102
Net cash used in operating activities	<u>\$ (2,804)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (2,804)</u>

2. Significant Accounting Policies

Use of Estimates

The preparation of consolidated financial statements and related disclosures in conformity with US GAAP requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. The recognition and allocation of certain revenues, costs of revenues and selling, general and administrative expenses in these unaudited condensed consolidated financial statements also require management estimates and assumptions.

Estimates and assumptions about future events and their effects cannot be determined with certainty. The Company bases its estimates on historical experience and various other assumptions believed to be applicable and reasonable under the circumstances. These estimates may change as new events occur, as additional information is obtained and as the operating environment changes. These changes have been included in the unaudited condensed consolidated financial statements as soon as they became known. In addition, management is periodically faced with uncertainties, the outcomes of which are not within its control and will not be known for prolonged periods of time. Based on a critical assessment of accounting policies and the underlying judgments and uncertainties affecting the application of those policies, management believes the Company's unaudited condensed consolidated financial statements are fairly stated in accordance with U.S. GAAP and provide a fair presentation of the Company's financial position and results of operations.

Furthermore, we considered the impact of the COVID-19 pandemic on the use of estimates and assumptions used for financial reporting and determined that there was no adverse material impact to our results of operations for the three and six months ended June 30, 2021; however, the extent and duration of future impacts of the COVID-19 pandemic and any resulting

economic impact are largely unknown and difficult to predict due to these unknown factors which may have a material impact on our financial position and results of operations in the future.

For a complete set of our significant accounting policies, refer to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2020. Other than the presentation of LiveArea as a discontinued operation, there were no changes to our significant accounting policies during the three and six-month periods ended June 30, 2021.

Income Taxes

For the three and six months ended June 30, 2021 and 2020, we have utilized the discrete effective tax rate method, as allowed by Accounting Standards Codification (“ASC”) 740-270-30-18, “Income Taxes—Interim Reporting,” to calculate the 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. We believe 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 by certain jurisdiction and (ii) our ongoing assessment that the recoverability of our deferred tax assets is not likely in certain jurisdictions.

Impact of Recently Issued Accounting Standards

Recently Adopted Accounting Pronouncements

In December 2019, the FASB issued ASU No. 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes (“ASU No. 2019-12”). The amendments in this update simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740, as well as improve consistency of application by clarifying and amending existing guidance. The Company adopted ASU No. 2019-12 on January 1, 2021, the effect of which was not material on its financial position, results of operations, and cash flows.

Pronouncements Not Yet Adopted

In June 2016, the FASB issued ASU 2016-13, “*Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*,” (“ASU 2016-13”) which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. ASU 2016-13 replaces the existing incurred loss impairment model with an expected loss methodology, which will result in more timely recognition of credit losses. ASU 2016-13 is effective for annual reporting periods, and interim periods within those years, beginning after December 15, 2019 for all public entities, excluding smaller reporting companies, and after December 15, 2022 for smaller reporting companies. It requires a cumulative effect adjustment to the balance sheet as of the beginning of the first reporting period in which the guidance is effective. We will adopt ASU 2016-13 on January 1, 2023. We are currently in the early phase of evaluating the impact of the adoption of ASU 2016-13 on our condensed consolidated financial statements.

3. Discontinued Operations

On July 2, 2021, the Company entered into a definitive agreement to sell LiveArea for \$250.0 million in cash, subject to certain adjustments and customary closing conditions including receipt of regulatory approvals. The LiveArea Transaction closed on August 25, 2021. As of June 30, 2021, we met the criteria set forth in ASC 205-20, "Presentation of Financial Statements - Discontinued Operations"; therefore, the LiveArea segment has been presented as a discontinued operation for all periods presented in this Form 10-Q. As a result of the LiveArea Transaction, we now only operate in one business segment, PFS Operations, and therefore will no longer present segment data. See Note 9. Subsequent Events for additional information on our LiveArea Transaction.

The following table presents the carrying amount of major classes of assets and liabilities of LiveArea and a reconciliation to the amounts reported in the condensed consolidated balance sheets (in thousands):

	(Unaudited) June 30, 2021	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 370	\$ 392
Accounts receivable, net of allowance for doubtful accounts of \$884 and \$854 at June 30, 2021 and December 31, 2020, respectively	17,222	11,184
Related party receivable	525	730
Other receivables	559	444
Prepaid expenses and other current assets	1,505	1,170
Current assets of discontinued operations		13,920
Property and equipment, net	1,578	1,661
Operating lease right-of use assets	3,133	632
Identifiable intangibles, net	524	665
Goodwill	23,339	23,257
Other assets	5,710	5,502
Long-term assets of discontinued operations		31,717
Total assets of discontinued operations	\$ 54,465	\$ 45,637
LIABILITIES		
Current liabilities:		
Trade accounts payable	\$ 1,120	\$ 1,035
Accrued expenses	6,655	4,639
Current portion of operating lease liabilities	557	88
Current portion of long-term debt and finance lease obligations	2	3
Deferred revenues	130	520
Current liabilities of discontinued operations		6,285
Long-term debt and capital lease obligations, less current portion	4	4
Operating lease liabilities	2,581	541
Long-term liabilities of discontinued operations		545
Total liabilities of discontinued operations	\$ 11,049	\$ 6,830

The following table presents the major components of net income (loss) of LiveArea and a reconciliation to the amounts reported in the unaudited condensed consolidated statements of operations (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenues:				
Service fee revenue	\$ 19,783	\$ 17,120	\$ 36,581	\$ 34,693
Related party revenue	106	24	574	24
Total revenues	19,889	17,144	37,155	34,717
Costs of revenues:				
Cost of service fee revenue	10,325	9,204	20,039	18,648
Gross profit	9,564	7,940	17,116	16,069
Selling, general and administrative expenses	10,154	9,027	18,526	15,836
Interest expense, net	—	1	—	—
Income (loss) from discontinued operations before income taxes	(590)	(1,088)	(1,410)	233
Income tax expense	2,528	161	2,557	186
Net income (loss) from discontinued operations	\$ (3,118)	\$ (1,249)	\$ (3,967)	\$ 47

The following table presents the depreciation and amortization, capital expenditures and significant noncash operating items of LiveArea (in thousands):

	Six Months Ended June 30,	
	2021	2020
Cash flows from operating activities discontinued operations:		
Depreciation and amortization	\$ 405	\$ 537
Stock-based compensation expense	\$ 1,056	\$ 2,400
Cash flows from investing activities discontinued operations:		
Capital expenditures	\$ 102	\$ 12

4. Revenue from Contracts with Clients and Customers

Contract Assets and Contract Liabilities

Changes in costs to fulfill contract assets decreased \$1.9 million from December 31, 2020 to June 30, 2021, due to a decrease of approximately \$2.1 million for amortization and recognition of costs, offset by an increase of approximately \$0.2 million from new projects in the six months ended June 30, 2021. Costs to fulfill contract assets relate to deferred costs, which are included within other current assets and/or other assets, and software development costs, which are included within property and equipment, in our condensed consolidated balance sheets.

Changes in contract liabilities decreased \$0.3 million from December 31, 2020 to June 30, 2021, due to a decrease of approximately \$8.2 million for amortization and recognition of revenue, offset by an increase of approximately \$7.9 million from new projects in the six months ended June 30, 2021. Contract losses recognized for the six months ended June 30, 2021 were not material. Accrued contract liabilities are included within accrued expenses in our condensed consolidated balance sheets.

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 condensed consolidated balance sheets. Changes in the contract asset and liability balances during the six months ended June 30, 2021 were not materially impacted by any other factors.

Contract balances consist of the following (in thousands):

	June 30, 2021	December 31, 2020
Contract Assets		
Costs to fulfill	\$ 3,651	\$ 5,575
Total contract assets	\$ 3,651	\$ 5,575
Contract Liabilities		
Accrued contract liabilities	\$ 2,271	\$ 1,214
Deferred revenue	4,590	5,936
Total contract liabilities	\$ 6,861	\$ 7,150

Remaining performance obligations represent the transaction price of firm orders for which work has not yet been performed. The amount reported for remaining performance obligations does not include 1) contracts that are less than one year in duration, 2) contracts for which we recognize revenue based on the right to invoice for services performed, or 3) variable consideration allocated entirely to a wholly unsatisfied performance obligation. Much of our revenue qualifies for one of these exemptions. As of June 30, 2021, the aggregate amount of the transaction price allocated to remaining performance obligations for contracts with an original expected duration of one year or more was \$3.6 million. We expect to recognize revenue on approximately 51% of the remaining performance obligations in 2021, 37% in 2022, and the remaining recognized thereafter.

Disaggregation of Revenues

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenues:				
Over time	\$ 56,607	\$ 59,376	\$ 113,003	\$ 110,970
Point-in-time	4,492	5,915	8,800	13,447
Total revenues	\$ 61,099	\$ 65,291	\$ 121,803	\$ 124,417

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenues by region:				
North America	\$ 50,743	\$ 50,770	\$ 99,287	\$ 99,994
Europe	10,356	14,521	22,516	24,423
India	—	—	—	—
Total revenues	\$ 61,099	\$ 65,291	\$ 121,803	\$ 124,417

5. Inventory Financing

Supplies Distributors, an indirect wholly-owned subsidiary of the Company, has a short-term credit facility with IBM Credit LLC and its assignees (“IBM Credit Facility”) to finance its purchase and distribution of Ricoh products in the United States, providing financing for eligible Ricoh inventory and certain receivables up to \$7.5 million, as per an amended agreement. The agreement has no stated maturity date and provides either party the ability to exit the facility following a 90-day notice.

Given the structure of this facility and as outstanding balances, which represent inventory purchases, are repaid within twelve months, we have classified the outstanding amounts under this facility, which were \$3.7 million and \$3.6 million as of June 30, 2021 and December 31, 2020, respectively, as trade accounts payable in the condensed consolidated balance sheets. As of June 30, 2021, Supplies Distributors had \$0.3 million of available credit under this facility. The IBM Credit Facility contains cross default provisions, various restrictions upon the ability of Supplies Distributors to, among other things, merge, consolidate, sell assets, incur indebtedness, make loans 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. The IBM Credit Facility also contains 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 is secured by certain of the assets of Supplies Distributors, as well as a collateralized guaranty of PFSweb. Additionally, PFSweb is required to maintain a minimum Subordinated Note receivable balance from Supplies Distributors of \$1.0 million, as per an amended agreement. Borrowings under the IBM 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 3.75% and 3.75% as of June 30, 2021 and December 31, 2020, respectively. As of June 30, 2021, the Company was in compliance with all financial covenants under the IBM Credit Facility, however, due to the late filing of this Form 10-Q, the Company became in violation of certain of its covenants under the IBM Credit Facility. On December 14, 2021, the Company received a consent from the lender thereunder, which waived the event of default caused by the late filing for an indefinite period of time.

6. Debt and Finance Lease Obligations

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

	June 30, 2021	December 31, 2020
U.S. Credit Agreement		
Revolver	\$ 41,300	\$ 33,500
Equipment loan	8,114	8,035
Debt issuance costs	(184)	(224)
Finance Leases	567	1,049
Other	86	120
Total	49,883	42,480
Less current portion of long-term debt	49,732	3,411
Long-term debt, less current portion	\$ 151	\$ 39,069

U.S. Credit Agreement

On November 1, 2018, we entered into Amendment No. 1 to our Credit Agreement with Regions Bank and certain other banking parties (the "Amended Facility"). The Amended Facility provided for an increase in availability of our revolving loans to \$60.0 million, with the ability for a further increase of \$20.0 million to a total of \$80.0 million, and the elimination of the term loan. Amounts outstanding under the term loan were reconstituted as revolving loans. The Amended Facility also extended the maturity date to November 1, 2023 and provided for, subject to approval, up to an additional \$10.0 million in equipment financing.

As of June 30, 2021, we had no available credit under the Amended Facility. As of June 30, 2021 and December 31, 2020, the weighted average interest rate on the Amended Facility was 2.77% and 2.52%, respectively.

As of June 30, 2021, we had approval for \$1.6 million of available credit in equipment financing.

Due to the late filing of this Form 10-Q, the Company was in violation of certain of its covenants under the Amended Facility. On August 11, 2021, the Company received a consent from the lenders thereunder, which waived the event of default caused by the late filing, and extended the delivery date of this Form 10-Q until August 31, 2021. While this waiver was not extended beyond this date, in connection with the LiveArea Transaction, all amounts outstanding under the Amended Facility were paid in full on August 25, 2021 and this Amended Facility was terminated. All amounts outstanding under the Amended Facility at June 30, 2021 have been included in current portion of long-term debt and finance lease obligations on the June 30, 2021 condensed consolidated balance sheet. See Note 9. Subsequent Events for additional information on the LiveArea Transaction.

7. Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing net income (loss) available to common stockholders by the weighted-average number of common shares outstanding for the reporting period. Diluted earnings (loss) per share is computed by dividing net income (loss) available to common stockholders by the weighted-average number of common stock and common stock equivalents outstanding for the reporting period. In periods when we recognize a net loss from continuing operations, we exclude the impact of outstanding common stock equivalents from the diluted loss per share calculation as their inclusion would have an antidilutive effect. For the three and six month periods ended June 30, 2021 we had outstanding common stock equivalents of approximately 3.2 million for each period that have been excluded from the calculations of diluted earnings per share attributable to common stockholders because their effect would have been antidilutive. For the six months ended June 30, 2020 we had outstanding common stock equivalents of approximately 3.1 million that have been excluded from the calculations of diluted earnings per share attributable to common stockholders because their effect would have been antidilutive.

8. Commitments and Contingencies

The Company is subject to claims in the ordinary course of business, including claims of alleged infringement by the Company or its subsidiaries of the patents, trademarks and other intellectual property rights of third parties. The Company is generally required to indemnify its service fee clients against any third party claims asserted against such clients alleging infringement by the Company of the patents, trademarks and other intellectual property rights of third parties. While we are unable to determine the ultimate outcome of any liabilities resulting from these claims, we do not believe the resolution of any particular matter will have a material adverse effect on the Company's financial position or results of operations.

9. Subsequent Event

On July 2, 2021, the Company entered into a definitive agreement to sell LiveArea for \$250.0 million in cash, subject to certain adjustments and customary closing conditions including receipt of regulatory approvals. The LiveArea Transaction closed on August 25, 2021 for initial gross proceeds of approximately \$250.0 million. As a result of the LiveArea Transaction, the Company expects to release a majority of its deferred tax valuation allowance applicable to its federal net operating loss carryforwards during the three months ended September 30, 2021.

In connection with the LiveArea Transaction, the Company entered into a transaction services agreement with the purchaser to provide certain accounting and administrative services for a period of up to twelve months. Income generated from transaction services provided to the purchaser will be reflected in selling, general and administrative expenses from continuing operations in the condensed consolidated statement of operations for the three months ended September 30, 2021.

On August 25, 2021, the Company used \$62.7 million of the LiveArea Transaction proceeds to fully repay and extinguish its Amended Facility. As a result of the full repayment of our Amended Facility with Regions Bank, we recognized a \$0.4 million loss on extinguishment of debt in the third quarter of 2021 which will be reflected in our results of continuing operations for the three months ended September 30, 2021.

Additionally, in connection with the LiveArea Transaction, in July 2021 the Company's Board of Directors approved a modification to the Company's existing stock-based compensation plans to provide for accelerated vesting of certain restricted stock awards and stock options for LiveArea personnel. As a result of the LiveArea Transaction, approximately 635,000 shares of restricted stock and approximately 160,000 stock options previously awarded to certain executives and employees were accelerated and fully vested on August 25, 2021. Also as a result of the LiveArea Transaction, the Company's Board of Directors approved the full payout of the 2021 cash compensation plan to certain LiveArea executives and employees. We recorded incremental compensation expense of \$3.3 million and \$0.3 million related to the stock-based compensation modification and full targeted payout of the 2021 cash compensation plan, respectively, which will be reflected in the results of discontinued operations for the three months ended September 30, 2021 and an additional total of \$0.7 million will be reflected in the results of continuing operations during the period from October 1, 2021 through March 31, 2022.

Furthermore, certain executives and employees of PFSweb, Inc., including the LiveArea business segment, received cash transaction bonuses as a result of the successful completion of the LiveArea Transaction. Compensation expense of \$1.0 million and \$3.5 million will be reflected in the results of continuing operations and discontinued operations, respectively, for the three months ended September 30, 2021.

See Note 3. Discontinued Operations for additional information on the LiveArea Transaction.

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

This Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including statements that involve expectations, plans or intentions (such as those relating to future business, future results of operations or financial condition, new or planned features or services, or management strategies). You can identify these forward-looking statements by words such as “may,” “will,” “would,” “should,” “could,” “expect,” “anticipate,” “believe,” “estimate,” “intend,” “plan,” “potential,” “project,” “predict,” “future,” “target,” “seek,” “continue” and other similar expressions. These forward-looking statements involve risks and uncertainties, and may include assumptions as to how we may perform in the future, including the risk Nasdaq may delist our common stock since we have not met Nasdaq’s continued listing standards which could have a material adverse effect on our company and the price of our common stock, and the impact of the COVID-19 pandemic (and any variants thereof) on our business, results of operations and global economic conditions. 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, our actual results may differ materially from those expressed or implied in our forward-looking statements. Such risks and uncertainties include, among others, those discussed in “Part I, Item 1A: Risk Factors” of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 as supplemented by our Form 10-K/A filed with the Securities and Exchange Commission (the “SEC”) on April 30, 2021 (the “Annual Report”), as well as in our consolidated financial statements, related notes, and the other information appearing elsewhere in the Annual Report and our other filings with the SEC, including any quarterly reports on Form 10-Q. We do not intend, and undertake no obligation, to update any of our forward-looking statements after the date of this report to reflect actual results or future events or circumstances. There may be additional risks we do not currently view as material or that are not presently known or that are beyond our ability to control or predict. Given these risks and uncertainties, investors are cautioned not to place undue reliance on such forward-looking statements.

Key Events and Trends

On July 2, 2021, the Company entered into a definitive agreement to sell LiveArea for \$250.0 million in cash, subject to certain adjustments and customary closing conditions including receipt of regulatory approvals. The LiveArea Transaction closed on August 25, 2021 (“the LiveArea Transaction Date”). As of June 30, 2021, the criteria for reporting LiveArea as a discontinued operation were met and, as such, all periods presented in this Form 10-Q have been recast to present LiveArea as a discontinued operation. Unless otherwise specified, the financial information and discussion in this Form 10-Q are based on our continuing operations (i.e., PFS Operations) and exclude any results of our discontinued operations (i.e., LiveArea).

In completing the discontinued operations presentation, certain LiveArea revenues, costs of fees and gross margin related to client contracts that were not fully transferred to contracts directly operating under the LiveArea operating entities as of the August 2021 transaction date were maintained by PFSweb as part of the continuing operations presentation. As of the LiveArea Transaction Date, future activities of certain contracts where we have subcontracted services to LiveArea are expected to be recorded as pass-through revenue and pass-through costs, for as long as such contracts continue to be maintained directly through PFSweb. Additionally, certain costs previously reported as LiveArea selling, general and administrative costs in prior segment reporting have been reallocated to continuing operations costs, if such rights and obligations were not transferred as part of the LiveArea Transaction, and certain costs previously reported as unallocated corporate expenses have been reported as discontinued operations if such costs were related to rights and obligations that were transferred as part of the LiveArea Transaction. As such, the historical continuing operations presentation included herein reflects the historical PFS Operations segment and certain components of the LiveArea business which will not be reflected in a similar manner going forward. See Note 3. Discontinued Operations to the condensed consolidated financial statements included in this Form 10-Q for additional information on our discontinued operations.

COVID-19 Pandemic

We continue to monitor the impact of the COVID-19 pandemic (and any variants thereof) on all aspects of our business. While the COVID-19 pandemic has not had a material adverse impact on our results of operations to date, the future impacts of the pandemic and any resulting economic impact are still uncertain as the pandemic continues to evolve. We have experienced labor rate increases in certain of our markets for fulfillment activities and labor shortages in all markets. We believe this will continue and that this could impact our overall fulfillment related costs and staffing.

We have taken a number of precautionary measures designed to help minimize the risk of the spread of the virus to our employees and adjusted our operations wherever necessary to help ensure a safe environment for our staff across business functions. As a result of the impact of COVID-19, many businesses continue to experience short-term or long-term liquidity issues. Based on our current expectations, we believe we have the appropriate financial structure in place to support our own business operations through the pandemic. However, we do expect increased potential risk from the viability of clients and their

ability to make payments on time. We have and will continue to closely monitor our clients' financial results, payment patterns and business updates in an effort to minimize any potential credit risk impact.

While many of the related restrictions have been lifted, we have also seen a resurgence of the virus (including new variants) in many geographic regions, which could have a negative impact on our business and adversely affect the Company's results of operations, cash flows and financial position as well as that of our clients.

We incurred additional costs related to the enhanced cleaning regimen implemented in our facilities and purchases of personal protective equipment ("PPE") for employees. However, for the six months ended June 30, 2021 and 2020, the increased costs related to the COVID-19 pandemic, excluding hourly wage rate related labor cost increases, were not material. We will continue to monitor these for potential impacts to future cash flow.

While the COVID-19 pandemic has not had a material adverse impact on our operations to date, the extent and duration of future impacts of the pandemic (including any variants of COVID-19) and any resulting economic impact on our business are largely unknown and difficult to predict.

Overview

PFSweb is a Global Commerce Services Company. We manage the customer shopping experience for major branded manufacturers and retailers. We provide services to support or improve the physical, post-click experience, such as logistics and order fulfillment, customer care, and order-to-cash services including distributed order orchestration and payment services. We offer each of these services on an à la carte basis or as a complete solution. Major brands and other companies turn to us to optimize their customer experiences and enhance their traditional and online business channels, creating commerce without compromise.

Operating Results

The following table discloses certain financial information about our continuing operations for the periods presented and excludes results of our discontinued operations. The financial information below is 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	
	2021	2020	Change	2021	2020	2021	2020	Change	2021	2020
Revenues										
Service fee revenue	\$ 43,009	\$ 44,852	\$ (1,843)	70.4 %	68.7 %	\$ 88,529	\$ 81,577	\$ 6,952	72.7 %	65.6 %
Product revenue, net	\$ 4,492	\$ 5,915	\$ (1,423)	7.3 %	9.1 %	\$ 8,800	\$ 13,447	\$ (4,647)	7.2 %	10.8 %
Pass-through revenue	\$ 13,598	\$ 14,524	\$ (926)	22.3 %	22.2 %	\$ 24,474	\$ 29,393	\$ (4,919)	20.1 %	23.6 %
Total revenues	\$ 61,099	\$ 65,291	\$ (4,192)	100.0 %	100.0 %	\$ 121,803	\$ 124,417	\$ (2,614)	100.0 %	100.0 %
Costs of Revenues										
Cost of service fee revenue	\$ 31,863	\$ 31,561	\$ 302	74.1 % (1)	70.4 %	\$ 65,393	\$ 56,833	\$ 8,560	73.9 % (1)	69.7 %
Cost of product revenue	\$ 4,284	\$ 5,590	\$ (1,306)	95.4 % (2)	94.5 %	\$ 8,370	\$ 12,713	\$ (4,343)	95.1 % (2)	94.5 %
Cost of pass-through revenue	\$ 13,598	\$ 14,524	\$ (926)	100.0 % (3)	100.0 %	\$ 24,474	\$ 29,393	\$ (4,919)	100.0 % (3)	100.0 %
Total costs of revenues	\$ 49,745	\$ 51,675	\$ (1,930)	81.4 %	79.1 %	\$ 98,237	\$ 98,939	\$ (702)	80.7 %	79.5 %
Service fee gross profit	\$ 11,146	\$ 13,291	\$ (2,145)	25.9 % (1)	29.6 %	\$ 23,136	\$ 24,744	\$ (1,608)	26.1 % (1)	30.3 %
Product revenue gross profit	\$ 208	\$ 325	\$ (117)	4.6 % (2)	5.5 %	\$ 430	\$ 734	\$ (304)	4.9 % (2)	5.5 %
Total gross profit	\$ 11,354	\$ 13,616	\$ (2,262)	18.6 %	20.9 %	\$ 23,566	\$ 25,478	\$ (1,912)	19.3 %	20.5 %
Selling, General and Administrative expenses	\$ 15,678	\$ 12,514	\$ 3,164	25.7 %	19.2 %	\$ 28,609	\$ 25,075	\$ 3,534	23.5 %	20.2 %
Income (loss) from continuing operations	\$ (4,324)	\$ 1,102	\$ (5,426)	(7.1)%	1.7 %	\$ (5,043)	\$ 403	\$ (5,446)	(4.1)%	0.3 %
Interest expense, net	\$ 333	\$ 374	\$ (41)	0.5 %	0.6 %	\$ 708	\$ 788	\$ (80)	0.6 %	0.6 %
Income (loss) from continuing operations before income taxes	\$ (4,657)	\$ 728	\$ (5,385)	(7.6)%	1.1 %	\$ (5,751)	\$ (385)	\$ (5,366)	(4.7)%	(0.3)%
Income tax expense (benefit), net	\$ (155)	\$ 332	\$ (487)	(0.3)%	0.5 %	\$ 124	\$ 613	\$ (489)	0.1 %	0.5 %
Net income (loss) from continuing operations	\$ (4,502)	\$ 396	\$ (4,898)	(7.4)%	0.6 %	\$ (5,875)	\$ (998)	\$ (4,877)	(4.8)%	(0.8)%

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

Total revenues for the three and six months ended June 30, 2021 decreased by \$4.2 million and \$2.6 million, respectively, compared with the corresponding periods in 2020. Service fee revenue for the three and six months ended June 30, 2021 decreased \$1.8 million and increased \$7.0 million, respectively, compared to the corresponding periods in 2020. The service fee revenue decrease for the three months ended June 30, 2021, primarily reflects the elevated online consumer buying activity during the initial stages of the COVID-19 pandemic in the corresponding period in 2020 coinciding with the interim closure of many retail stores, which resulted in much higher online fulfillment related revenues for the Company. While the current period activity continued to reflect the impact from high online fulfillment volumes, including the benefit from new clients, such fulfillment volumes were not as high as in the corresponding three month period in 2020. The increase for the six months ended June 30, 2021 was primarily driven by fulfillment volumes during the three months ended March 31, 2021 being much higher than the pre-pandemic fulfillment volumes in the corresponding three month period in 2020. This increased volume during the three months ended March 31, 2021 over the corresponding three month period in 2020 more than offset the reduction during the quarter ended June 30, 2021.

Certain client contracts supported by the LiveArea segment were not fully transferred to the buyer as part of the LiveArea Transaction. The services provided under these client contracts are currently being managed by PFSweb, and as such, the related service fee revenues, costs of revenues and gross profit previously generated by this LiveArea related activity have been included in our continuing operations. Subsequent to the LiveArea Transaction Date, PFSweb will act as a general contractor for these certain client contracts and the related services will be provided by the former LiveArea business as a subcontractor. Service fee revenue billed under this contractor-subcontractor relationship are expected to be recorded as pass-through revenue and pass-through costs for as long as such contracts continue to be managed directly by PFSweb. Service fee revenues generated under these contracts applicable to our former LiveArea segment of \$3.3 million, \$3.4 million, \$6.4 million and \$6.7 million are included in service fee revenue in the condensed consolidated statement of operations for each of the three and six months ended June 30, 2021 and 2020, respectively.

Product revenue, net, for the three and six months ended June 30, 2021, decreased by \$1.4 million and \$4.6 million, respectively, compared with the corresponding periods in 2020. Product revenue declined as it is primarily dependent on one client, which restructured its operations and discontinued certain product lines. We expect to see continued reduced product revenue as the year continues, as a result of the restructuring of our client and we expect this client relationship to be terminated in the first half of calendar year 2022, resulting in a discontinuance of product revenue activity after such time.

Pass-through revenue for the three and six months ended June 30, 2021 decreased by \$0.9 million and \$4.9 million, respectively, compared to the corresponding periods in 2020. This was primarily due to reduced freight activity (the primary component of pass-through revenue) applicable to certain client accounts, including the impact of one client's transition of their freight management activities to an in-house solution, and the reduction of certain social media client related pass-through activities.

Gross margin decreased by 2.4% to 18.6% for the three months ended June 30, 2021 as compared to 20.9% in the same period of the prior year. The decreased gross margin is due to a decrease of our service fee margin of 3.7% to 25.9% for the three months ended June 30, 2021 as compared to 29.6% in the same period of the prior year, primarily as a result of increased fulfillment labor costs. This was somewhat offset by the impact of revenue mix, as the service fee business activity, which generates a higher gross margin than the product revenue and pass-through revenue activity, represents a larger proportion of total revenues for the three months ended June 30, 2021 as compared to the prior year.

Gross margin decreased by 1.1% to 19.3% for the six months ended June 30, 2021 as compared to 20.5% in the same period of the prior year. The service fee margin decreased by 4.2% to 26.1% for the six months ended June 30, 2021 as compared to 30.3% for the same period of the prior year, primarily as a result of increased fulfillment labor rates and PPE related costs. Additionally, our gross margin was negatively impacted by reduced technology-related project activity. This was partially offset by our service fee business, which generates a higher gross margin than the product revenue and pass-through revenue activity representing a larger proportion of our total revenues for the six months ended June 30, 2021, as compared to the same period of the prior year.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased \$3.2 million and \$3.5 million for the three and six months ended June 30, 2021, respectively, compared to the corresponding periods in 2020. The increase was primarily attributable to (1) the prior year three and six month periods including a reduction to vacation expense related to a change in policy to allow for the introduction of a flexible vacation policy that was not restricted to time earned by the Company for US employees and (2) increased personnel related costs and (3) increased facility related costs.

Income Taxes

During the three months ended June 30, 2021, we recorded a tax benefit of \$0.2 million as compared to tax expense of \$0.3 million in the corresponding period of the prior year. During the six months ended June 30, 2021, we recorded a tax expense of \$0.1 million as compared to a tax expense of \$0.6 million in the corresponding period in 2020.

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. As a result of the gain on the sale of LiveArea, we expect to reverse a majority of the federal valuation allowance in the third quarter of 2021.

Discontinued Operations

See Note 3. Discontinued Operations and Note 9. Subsequent Events to the unaudited condensed consolidated financial statements included in this Form 10-Q for information regarding discontinued operations.

Liquidity and Capital Resources

In conjunction with the LiveArea Transaction in August 2021, we generated approximately \$250.0 million in gross proceeds, of which approximately \$62.7 million was used to pay off and extinguish the Company's Credit Agreement with Regions Bank. Additionally, we incurred approximately \$15.0 million in cash-based transaction related costs and used proceeds of approximately \$33.0 million to make estimated income tax payments related to the LiveArea Transaction. We currently believe our improved cash position, as a result of the LiveArea Transaction, will satisfy our known operating cash needs, working capital and capital expenditure requirements, debt and lease obligations, loans to our subsidiaries, if needed, and potential distributions to shareholders for at least the next twelve months. However, our cash position may be adversely impacted by the uncertain duration and extent of the COVID-19 pandemic and our ability to adjust our overall cost structure to support a smaller remaining business following the completion of the LiveArea Transaction.

Our cash position increased in the six months ended June 30, 2021, primarily from cash provided by financing activities, partially offset by cash used in investing activities.

Cash Flows from Operating Activities

During the six months ended June 30, 2021, net cash used in operations was \$0.3 million, compared to net cash used in operations of \$2.8 million in the same period of the prior year. The six months ended June 30, 2021 included a net use of cash related to operations before changes in operating assets and liabilities. The six months ended June 30, 2020 included a benefit from cash income generated from operations before changes in operating assets and liabilities. Such cash use and benefit were then either increased or decreased, depending on period, by the net impact of changes in assets and liabilities, primarily related to the amount and timing of client revenue billings and collections as well as vendor purchasing and payment activity.

Cash Flows from Investing Activities

Cash used in investing activities included capital expenditures of \$2.0 million and \$1.7 million during the six months ended June 30, 2021 and 2020, respectively, exclusive of property and equipment acquired under debt and finance 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 facilities, contracts and anticipated future growth opportunities. Based on our current client business activity and our targeted growth plans, we anticipate our total investment in additions and upgrades to facilities and information technology solutions and services for the upcoming twelve months, including costs to implement new clients, will be approximately \$8.0 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 finance leases or additional equity.

Cash Flows from Financing Activities

During the six months ended June 30, 2021, cash provided by financing activities was \$4.8 million and during the six months ended June 30, 2020, cash provided by financing activities was \$1.8 million. The balances in both periods were primarily due to net borrowing and payment activity on our revolving loan and other debt.

Working Capital

During the six months ended June 30, 2021, our working capital decreased to \$8.5 million compared to \$24.0 million at December 31, 2020, which was primarily a result of our Amended Facility, as defined below, being classified as a current liability as of June 30, 2021 as compared to the Amended Facility's long term debt presentation as of December 31, 2020, as discussed below. This was partially offset by certain assets and liabilities of the LiveArea business being previously treated as long-term assets and liabilities of discontinued operations as of December 31, 2020 and instead being treated as current assets and liabilities as of June 30, 2021 due to the LiveArea Transaction.

Inventory Financing

Supplies Distributors has a short-term credit facility with IBM Credit LLC and its assignees (“IBM Credit Facility”) to finance its purchase and distribution of Ricoh products in the United States, providing financing for eligible Ricoh inventory and certain receivables up to \$7.5 million, as per an amended agreement. The agreement has no stated maturity date and provides either party the ability to exit the facility following a 90-day notice.

The IBM Credit Facility contains cross default provisions, various restrictions upon the ability of Supplies Distributors to, among other things, merge, consolidate, sell assets, incur indebtedness, make loans 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. The IBM Credit Facility also contains 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 is secured by certain of the assets of Supplies Distributors, as well as a collateralized guaranty of PFSweb. Additionally, PFSweb is required to maintain a minimum Subordinated Note receivable balance from Supplies Distributors of \$1.0 million, as per an amended agreement. 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 and Ricoh.

Due to the late filing of this Form 10-Q, the Company became in violation of certain of its covenants under the IBM Credit Facility. On December 14, 2021, the Company received a consent from the lender thereunder, which waived the event of default caused by the late filing for an indefinite period of time.

Debt and Finance Lease Obligations

U.S. Credit Agreement. In August 2015, we entered into a credit agreement (“Credit Agreement”) with Regions Bank, as agent for itself and one or more future lenders (the “Lenders”). Under the Credit Agreement, and subject to the terms set forth therein, the Lenders provided us with a revolving loan facility for up to \$32.5 million and a term loan facility for up to \$30 million. Borrowings under the Credit Agreement accrued interest at a variable rate based on prime rate or LIBOR, plus an applicable margin.

On November 1, 2018, we entered into Amendment No. 1 to our credit agreement with Regions Bank (the “Amended Facility”). The Amended Facility provided for an increase in availability of our revolving loans to \$60.0 million, with the ability for a further increase of \$20.0 million to a total of \$80.0 million, and the elimination of the term loan. Amounts outstanding under the term loan were reconstituted as revolving loans. The Amended Facility also extended the maturity date to November 1, 2023.

As of June 30, 2021 and December 31, 2020, the weighted average interest rate on the revolving loan facility was 2.77% and 2.52%, respectively. In connection with the Amended Facility, the Company paid \$0.3 million of fees, which are being amortized through the life of the Amended Facility and are reflected as a net reduction in debt. The Amended Facility is secured by a lien on substantially all of the operating assets of the US entities and a pledge of 65% of the shares of certain of our foreign subsidiaries. The Amended Facility contains cross default provisions, various restrictions upon the Company’s 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 consolidated fixed charge ratio and a maximum consolidated leverage ratio.

Due to the late filing of this Form 10-Q, the Company was in violation of certain of its covenants under the Amended Facility. On August 11, 2021, the Company received a consent from the lenders thereunder, which waived the event of default caused by the late filing, and extended the delivery date of this Form 10-Q until August 31, 2021. While this waiver was not extended beyond this date, in connection with LiveArea Transaction all amounts outstanding under the Amended Facility were paid in full on August 25, 2021 and this Amended Facility was terminated. All amounts outstanding under the Amended Facility at June 30, 2021 have been included in current portion of long-term debt and finance lease obligations on the June 30, 2021 condensed consolidated balance sheet. See Note 9. Subsequent Events to the unaudited condensed consolidated financial statements included in this Form 10-Q for additional information on our sale of LiveArea.

Master Lease Agreements. We have 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 finance 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

(a) Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, under the supervision and with the participation of our management, including our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO” and together with the CEO, the “Certifying Officers”), we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Disclosure controls and procedures are controls and other procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is accumulated and communicated to management, including our Certifying Officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

Based upon this evaluation, and the above criteria, our CEO and CFO concluded that due to the material weaknesses described below, the Company’s disclosure controls and procedures were not effective as of June 30, 2021.

Material Weakness in Internal Control over Financial Reporting

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

During the three months ended June 30, 2021, we identified a material weakness in our internal control over financial reporting relating to accounting for unusual transactions. Specifically, deficiencies were identified relating to the financial reporting requirements triggered by the LiveArea Transaction, including the required financial statement presentation of discontinued operations.

During the three months ended June 30, 2021 we further identified deficiencies in various aspects of our income tax controls related to the preparation and review of our income tax provision, including the tax complexities triggered by the disposition of LiveArea in multiple jurisdictions as part of the LiveArea Transaction, which management concluded such deficiencies aggregated to a material weakness.

In addition, we identified a material weakness in internal control over financial reporting related to ineffective information technology general controls (“ITGCs”) in the areas of user access and segregation of duties related to administration of certain information technology (“IT”) systems that support the Company’s financial reporting processes. These control deficiencies were a result of inadequate risk-assessment processes to identify and assess user access and change management controls in certain IT systems.

Notwithstanding the material weaknesses described above and the previously identified material weakness related to our revenue process noted below, our management, including our CEO and CFO, concluded that the consolidated financial statements in this Quarterly Report on Form 10-Q for the three and six months ended June 30, 2021 fairly present, in all material respects, the Company’s financial condition, results of operations and cash flows for the periods presented, in conformity with GAAP. However, because the material weaknesses create a reasonable possibility that a material misstatement to our consolidated financial statements may not have been prevented or detected on a timely basis, the Company’s management concluded that at June 30, 2021, the Company’s internal control over financial reporting was ineffective.

Management’s Plan for Remediation

In response to these material weaknesses, management, with oversight of the Audit Committee of the Board of Directors, has identified and begun to implement steps to remediate the material weaknesses. Specifically:

- The Company has hired additional accounting personnel (including temporary personnel with requisite accounting and reporting experience) to fill needed roles and assist in our accounting and financial reporting.
- The Company has engaged a third-party advisory accounting firm to fill needed roles and assist in proper accounting and financial reporting for income taxes.
- Regarding the ITGC deficiencies, the Company has identified and implemented mitigating controls that will continue through the remainder of 2021. Our remediation plan with respect to such ITGC deficiencies also included the training of

personnel tasked with reviewing IT system change management and user access. Subject to testing of the effectiveness of the mitigating controls, management believes the implemented mitigating controls will remediate this material weakness as of December 31, 2021.

The Company continues to implement certain remediation actions and continues to test and evaluate the elements of the remediation plan. Other potential remediation activities that may be considered include training of employees and the design and implementation of mitigating controls.

Previously Reported Material Weakness in Internal Control over Financial Reporting

As previously described in Part II—Item 9A – Controls and Procedures of our Annual Report, our management concluded that the Company did not design, implement, and operate effective process-level control activities related to order-to-cash process (specifically controls over revenue recognition pertaining to client invoicing) resulting in deficiencies in our process-level control activities. We have held meetings with the invoice preparers to emphasize the importance of ensuring all backup is up to date and prices are agreed to current contracts, as well as the importance of an overall self-review; however, we have not remediated the material weakness as of the date of this Quarterly Report on Form 10-Q for the three and six months ended June 30, 2021.

We are committed to ensuring that our internal controls over financial reporting are designed and operating effectively. The material weaknesses will not be considered remediated until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

Other than discussed above, during the three months ended June 30, 2021, 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

Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described in Part I - Item 1A under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2020 and the risk factors and other information included or incorporated by reference in this Report before making an investment decision regarding our common stock. If any of these risks were to actually occur, our business, financial condition or operating results would likely suffer, possibly materially, the trading price of our common stock could decline, and you could lose part or all of your investment.

The risk factors below update, and should be read in connection with, the risk factors and information discussed in our Annual Report on Form 10-K for the year ended December 31, 2020.

Since we have not met the Nasdaq Global Market continued listing standards, Nasdaq may delist our common stock which could have a material adverse effect on our company, the price of our common stock and your ability to sell our common stock.

The continued listing of our common stock on the Nasdaq Global Market is subject to our compliance with Nasdaq listing standards. As previously disclosed, we have received notices from Nasdaq Stock Market that we are not in compliance with the periodic filing requirements for continued listing set forth in Nasdaq Listing Rule 5250(c)(1) (the "Listing Requirements") because we did not timely file with the SEC our Quarterly Reports on Form 10-Q for the periods ended June 30, 2021 and September 30, 2021 (the "Delinquent Reports").

Nasdaq has provided us with a deadline of February 7, 2022 to file with the SEC the Delinquent Reports. We have by the deadline filed our Quarterly Report on Form 10-Q for the three and six months ended June 30, 2021, but we have not been able to file our Quarterly Report on Form 10-Q for the three and nine months ended September 30, 2021 by the Nasdaq deadline. As such, we expect to receive a delisting notification from Nasdaq on or around February 8, 2022. After the receipt of the delisting notice, we plan to request a hearing before the Nasdaq Listing Qualifications Panel and a stay of the delisting. We may not be successful in such an appeal process and our common stock could ultimately be delisted from the Nasdaq Global Market.

A delisting from Nasdaq could adversely affect our relationships with our business partners, vendors, clients and potential clients and our ability to attract and retain employees by means of equity compensation. If our common stock ultimately were to be delisted for any reason, trading of our common stock thereafter would be conducted on the over-the-counter market, or in the so-called "pink sheets." As a consequence, our stockholders would likely find it more difficult to dispose of, or to obtain accurate quotations as to the prices of, our common stock. A delisting could further adversely impact us by (i) reducing the liquidity and market price of our common stock; (ii) reducing the number of investors willing to hold or acquire our common stock, which could adversely impact our ability to raise equity financing; and (iii) limiting our ability to use a registration statement to offer and sell freely tradable securities, thereby preventing us from accessing the public capital markets.

We have identified material weaknesses in our internal control over financial reporting which, if not timely remediated, may adversely affect the accuracy and reliability of our financial statements, and our reputation, business, and the price of our common stock, as well as lead to a loss of investor confidence in us.

We are required under the Sarbanes-Oxley Act and related rules and regulations to maintain internal control over financial reporting and disclosure controls and procedures in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our consolidated financial statements for external purposes in accordance with U.S. GAAP.

As described in Part II, Item 9A, "Controls and Procedures," of our Annual Report on Form 10-K as of December 31, 2020, we determined that we had material weaknesses in our revenue process and in "Item 4, Controls and Procedures" of this Quarterly Report on Form 10-Q, we further concluded that our internal controls over financial reporting and our disclosure controls and procedures were not effective as of June 30, 2021 as a result of deficiencies in (1) accounting for and reporting on unusual transactions (the LiveArea Transaction) and (2) our income tax controls and income tax provision process. For a discussion of these material weaknesses, please see "Part II—Item 9A. Controls and Procedures," of our Form 10-K for December 31, 2020 filed on March 31, 2021 and "Item 4. Controls and Procedures" of this Quarterly Report on Form 10-Q for June 30, 2021.

The material weaknesses identified did not result in any material adjustments or restatements of our audited and unaudited consolidated financial statements or disclosures for any prior period previously reported by the Company. Until we fully remediate these weaknesses, it may be more difficult for us to report results accurately and on time and we may rely

significantly on manual procedures to assist us with meeting the objectives otherwise fulfilled by an effective control environment and need to engage third-party advisory accounting firms to assist with financial report around our income taxes. The implementation of new procedures and controls and the addition of hiring staff and advisory firms could be costly and distract management from other activities. While we are working to address our internal control over financial reporting, we cannot be certain that our efforts will be successful or that we will be able to maintain adequate controls over our financial processes and reporting in the future and we expect to incur additional audit fees related to incremental procedures performed and we may see a decline in our stock price due to reduced investor confidence.

Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur undetected, and it is possible that additional significant deficiencies or material weaknesses in our internal control over financial reporting may be identified in the future. Any failure of our internal controls could result in material misstatements in our consolidated financial statements, significant deficiencies, material weaknesses, costs, failure to timely meet our periodic reporting obligations, incremental audit fees and further erosion of investor confidence. It would also adversely affect the results of periodic management evaluations and could have a material adverse effect on our business, financial condition, results of operations or cash flow. If our internal controls continue to be deemed deficient in the future, our current external auditors could resign, and the process of retaining new auditors could limit our access to capital for an extended period of time.

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

None.

ITEM 3. Defaults Upon Senior Securities

None.

ITEM 4. Mine Safety Disclosures

None.

ITEM 5. Other Information

None.

ITEM 6. Exhibits

a) Exhibits:

Exhibit No.	Description of Exhibits
2.1	Stock Purchase Agreement, dated as of July 2, 2021, by and among PFSweb, Inc., Priority Fulfillment Services, Inc., RevTech Solutions India Private Limited, Merkle, Inc. and Dentsu Aegis Network India Private Limited.
2.1.1	Amendment to Stock Purchase Agreement, dated as of August 26, 2021, by and among PFSweb, Inc., Priority Fulfillment Services, Inc., RevTech Solutions India Private Limited, Merkle, Inc. and Dentsu Aegis Network India Private Limited.
3.1	Amended and Restated Certificate of Incorporation of PFSweb, Inc.
3.1.1	Certificate of Amendment of Certificate of Incorporation of PFSweb, Inc.
3.1.2	Certificate of Amendment to Certificate of Incorporation of PFSweb, Inc.
3.1.3	Certificate of Amendment to Certificate of Incorporation of PFSweb, Inc.
3.1.4	Certificate of Amendment to Amended and Restated Certificate of Incorporation of PFSweb, Inc.
3.2	Amended and Restated By-Laws.
4.1	Rights Agreement, dated as of June 8, 2000, between the Company and ChaseMellon Shareholder Services, LLC.
4.1.8	Amendment No. 8 to Rights Agreement, dated as of August 24, 2021 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.
10.101*	Transaction Bonus Agreement by and between PFSweb, Inc., Priority Fulfillment Services, Inc. and James Butler, dated as of August 25, 2021.
10.102*	Transaction Bonus Agreement by and between PFSweb, Inc., Priority Fulfillment Services, Inc. and Michael Willoughby, dated as of July 2, 2021.
10.103*	Transaction Retention Bonus Agreement by and between Zach Thomann and Priority Fulfillment Services, Inc. dated as of January 18, 2022
10.105*	Form of STI 2021 Company Performance Based Cash Award
10.106*	Form of STI 2021 Company Performance Based Share Award
10.107*	Form of LTI 2021 Performance Based Restricted Stock Unit Award
10.108*	Form of LTI 2021 Time Based Restricted Stock Unit Award
10.109*	Form of LTI 2021 TSR Performance Share Award
31.1**	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**	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**	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**	The following unaudited financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2021, formatted in Inline XBRL: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations and Comprehensive Income, (iii) Condensed Consolidated Statements of Shareholders' Equity, (iv) Condensed Consolidated Statements of Cash Flows, and (v) Notes to Condensed Consolidated Financial Statements.
104**	Cover Page Interactive Data file, formatted in Inline XBRL (included as Exhibit 101).

* Denotes management or compensatory agreements

** 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: February 7, 2022

PFSweb, Inc.

By: /s/ Thomas J. Madden

Thomas J. Madden
Chief Financial Officer
Executive Vice President

2021 STI COMPANY PERFORMANCE-BASED CASH AWARD

THIS 2021 STI COMPANY PERFORMANCE-BASED CASH AWARD (this “Agreement”) is made and entered into as of the ____ day of _____, 2021 (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., 2020 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.

“Change in Control” shall mean the (i) upon the merger or consolidation of the Company with, or the sale of all or substantially all of the assets of the Company to, any other corporation or other entity, in each case, unless, following such merger, consolidation or sale (A) the voting securities of the Company outstanding immediately prior thereto continue to represent (either by remaining outstanding or by being converted into voting securities of the surviving or purchasing entity (the “Surviving Entity”)) more than fifty percent (50%) of the combined voting power of the voting securities of the Company or the Surviving Entity outstanding immediately after such merger, consolidation or sale; and (B) at least a majority of the members of the board of directors of the Surviving Entity were Incumbent Directors at the time of the execution of the initial agreement, or of the action of the Board, providing for such merger, consolidation or sale; or (ii) sale of an operating business segment of the Company for which the Employee is designated or allocated to perform services or is otherwise employed under.

“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 2021 shall mean the 12-consecutive-month period beginning on January 1, 2021 and ending on December 31, 2021.

“Fiscal Year Date” shall mean December 31, 2021.

“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 2022.

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 2021 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 the Performance-Based Cash Award in full as though such Change of Control occurred on the Fiscal Year Date.

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 2022.

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"), if any of the payments or benefits provided or to be provided by the Company or its affiliates to the Employee or for the Employee'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 Employee of the Covered Payments after payment of the Excise Tax to (ii) the Net Benefit to the Employee 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 Employee'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 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.

2021 STI COMPANY PERFORMANCE-BASED SHARE AWARD

THIS 2021 STI COMPANY PERFORMANCE-BASED SHARE AWARD (this “Agreement”) is made and entered into as of the ___ day of _____, 2021 (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. 2020 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.

“**Change in Control**” shall mean the (i) upon the merger or consolidation of the Company with, or the sale of all or substantially all of the assets of the Company to, any other corporation or other entity, in each case, unless, following such merger, consolidation or sale (A) the voting securities of the Company outstanding immediately prior thereto continue to represent (either by remaining outstanding or by being converted into voting securities of the surviving or purchasing entity (the “**Surviving Entity**”)) more than fifty percent (50%) of the combined voting power of the voting securities of the Company or the Surviving Entity outstanding immediately after such merger, consolidation or sale; and (B) at least a majority of the members of the board of directors of the Surviving Entity were Incumbent Directors at the time of the execution of the initial agreement, or of the action of the Board, providing for such merger, consolidation or sale; or (ii) sale of an operating business segment of the Company for which the Employee is designated or allocated to perform services or is otherwise employed under.

“**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 2021 shall mean the 12-consecutive-month period beginning on January 1, 2021 and ending on December 31, 2021.

“**Fiscal Year Date**” shall mean December 31, 2021.

“**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 2022.

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 2021 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 the Performance-Based Share Award in full as though such Change of Control occurred on the Fiscal Year Date.

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 2022; 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 15 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.

2021 LTI PERFORMANCE-BASED RESTRICTED STOCK UNIT AWARD

THIS 2021 LTI TIME AND PERFORMANCE-BASED RESTRICTED STOCK UNIT AWARD (this “Agreement”) is made and entered into as of the ___ day of _____ 2021 (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. 2020 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.

“Change in Control” shall mean the (i) upon the merger or consolidation of the Company with, or the sale of all or substantially all of the assets of the Company to, any other corporation or other entity, in each case, unless, following such merger, consolidation or sale (A) the voting securities of the Company outstanding immediately prior thereto continue to represent (either by remaining outstanding or by being converted into voting securities of the surviving or purchasing entity (the “Surviving Entity.”)) more than fifty percent (50%) of the combined voting power of the voting securities of the Company or the Surviving Entity outstanding immediately after such merger, consolidation or sale; and (B) at least a majority of the members of the board of directors of the Surviving Entity were Incumbent Directors at the time of the execution of the initial agreement, or of the action of the Board, providing for such merger, consolidation or sale; or (ii) sale of an operating business segment of the Company for which the Employee is designated or allocated to perform services or is otherwise employed under.

“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 2021 shall mean the 12-consecutive-month period beginning on January 1, 2021 and ending on December 31, 2021.

“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, 2021, December 31, 2022 and December 31, 2023, 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, 2021	33.33% of the number of Restricted Stock Units
December 31, 2022	33.33% of the number of Restricted Stock Units
December 31, 2023	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 2021 Fiscal Year and the 2022 Fiscal Year, but fails to achieve the Base Bonus Target for the 2023 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 2021 Fiscal Year and 33.34% of the Restricted Stock Units will vest for the 2022 Fiscal Year, but not for the 2023 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 15 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"), if any of the payments or benefits provided or to be provided by the Company or its affiliates to the Employee or for the Employee'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 Employee of the Covered Payments after payment of the Excise Tax to (ii) the Net Benefit to the Employee 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 Employee'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 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.

2021 LTI TIME BASED RESTRICTED STOCK UNIT AWARD

THIS 2021 LTI TIME BASED RESTRICTED STOCK UNIT AWARD (this “Agreement”) is made and entered into as of the ___ day of _____, 2021 (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. 2020 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):

“Change in Control” shall mean the (i) upon the merger or consolidation of the Company with, or the sale of all or substantially all of the assets of the Company to, any other corporation or other entity, in each case, unless, following such merger, consolidation or sale (A) the voting securities of the Company outstanding immediately prior thereto continue to represent (either by remaining outstanding or by being converted into voting securities of the surviving or purchasing entity (the “Surviving Entity”)) more than fifty percent (50%) of the combined voting power of the voting securities of the Company or the Surviving Entity outstanding immediately after such merger, consolidation or sale; and (B) at least a majority of the members of the board of directors of the Surviving Entity were Incumbent Directors at the time of the execution of the initial agreement, or of the action of the Board, providing for such merger, consolidation or sale; or (ii) sale of an operating business segment of the Company for which the Employee is designated or allocated to perform services or is otherwise employed under.

“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 2021 shall mean the 12-consecutive-month period beginning on January 1, 2021 and ending on December 31, 2021.

“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, 2021, December 31, 2021 and December 31, 2023, 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, 2021	33.33% of the number of Restricted Stock Units
December 31, 2022	33.33% of the number of Restricted Stock Units
December 31, 2023	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 15 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.

2021 LTI TSR PERFORMANCE SHARE AWARD AGREEMENT

This Agreement (this "**Agreement**") is made and entered into as of _____, 2021 (the "**Grant Date**") by and between PFSWEB, INC., a Delaware corporation (the "**Company**") and the individual identified as the Grantee on the Award Certificate of such Grantee (the "**Grantee**").

WHEREAS, the Company has adopted the 2020 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 in the Award Certificate of the Grantee.

"Annual Performance Period" means, as applicable (i) the period from the Grant Date to December 31, 2021 (the "**First Performance Period**"), (ii) the period from January 1, 2022 to December 31, 2022 (the "**Second Performance Period**"), and (iii) the period from January 1, 2023 to December 31, 2023 (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.

"Cause" shall mean: (i) Grantee's failure to follow the reasonable instructions of his/her manager, the CEO or the Board of Directors of the Company; (ii) misconduct on Grantee's part that is materially injurious to the Employer or PFSweb, monetarily or otherwise, including misappropriation of trade secrets, fraud, or embezzlement; (iii) Executive's conviction for fraud or any other felony or a crime involving dishonesty or moral turpitude; or (iv) if Executive continually exhibits in regard to the Executive

employment unavailability for service or habitual neglect or (vi) the Executive's substantial or material failure or refusal to perform according to, or comply with, the policies, procedures or practices established by the Company or the Board. For purposes of 65 (a) (i), (ii), (v) and (vi) above, Employer will provide written notification of Cause event to Executive and Executive will have 30 days to address and cure such Cause event in a manner acceptable to Employer.

"Change in Control" shall mean the (i) upon the merger or consolidation of the Company with, or the sale of all or substantially all of the assets of the Company to, any other corporation or other entity, in each case, unless, following such merger, consolidation or sale (A) the voting securities of the Company outstanding immediately prior thereto continue to represent (either by remaining outstanding or by being converted into voting securities of the surviving or purchasing entity (the "Surviving Entity")) more than fifty percent (50%) of the combined voting power of the voting securities of the Company or the Surviving Entity outstanding immediately after such merger, consolidation or sale; and (B) at least a majority of the members of the board of directors of the Surviving Entity were Incumbent Directors at the time of the execution of the initial agreement, or of the action of the Board, providing for such merger, consolidation or sale; or (ii) sale of an operating business segment of the Company for which the Employee is designated or allocated to perform services or is otherwise employed under.

"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 in the Award Certificate.

"Cumulative Performance Period" means, as applicable (i) the period from the Grant Date to December 31, 2022, and (ii) the period from the Grant Date to December 31, 2023.

"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 2021 shall mean the 12-consecutive-month period beginning on January 1, 2021 and ending on December 31, 2021.

"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 in the Award Certificate.

"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 15 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.

**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; and
 - 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 functions):
 - 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: February 7, 2022

By: /s/ Michael Willoughby
Chief Executive Officer

**CERTIFICATIONS OF PRINCIPAL EXECUTIVE
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; and
 - 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 functions):
 - 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: February 7, 2022
- 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, 2021 (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.

February 7, 2022

/s/ Michael Willoughby
Michael Willoughby
Chief Executive Officer

February 7, 2022

/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.