
**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, 2022

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 August 1, 2022, there were 22,642,865 shares of registrant's common stock outstanding.

PFSWEB, INC. AND SUBSIDIARIES

Form 10-Q

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PART I. FINANCIAL INFORMATION

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

	(Unaudited) June 30, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 148,171	\$ 152,332
Restricted cash	—	214
Accounts receivable, net of allowance for doubtful accounts of \$507 and \$867 at June 30, 2022 and December 31, 2021, respectively	49,550	78,024
Inventories, net of reserves of \$0 and \$57 at June 30, 2022 and December 31, 2021, respectively	—	3,133
Other receivables	7,849	7,005
Prepaid expenses and other current assets	6,930	7,244
Total current assets	<u>212,500</u>	<u>247,952</u>
Property and equipment:		
Cost	94,643	92,079
Less: accumulated depreciation	(75,209)	(72,764)
	<u>19,434</u>	<u>19,315</u>
Operating lease right-of-use assets, net	31,133	35,371
Goodwill	21,438	22,218
Other assets	1,666	1,610
Total assets	<u>\$ 286,171</u>	<u>\$ 326,466</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	\$ 27,257	\$ 36,450
Accrued expenses	21,571	31,643
Current portion of operating lease liabilities	9,584	10,104
Current portion of finance lease obligations	98	222
Deferred revenues	2,949	4,391
Total current liabilities	<u>61,459</u>	<u>82,810</u>
Finance lease obligations, less current portion	54	89
Deferred revenue, less current portion	571	833
Operating lease liabilities, less current portion	25,714	30,393
Other liabilities	2,663	2,565
Total liabilities	<u>90,461</u>	<u>116,690</u>
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; 22,676,595 and 22,131,546 issued and 22,643,128 and 22,098,079 outstanding at June 30, 2022 and December 31, 2021, respectively	22	21
Additional paid-in capital	177,008	177,511
Retained earnings	21,732	33,522
Accumulated other comprehensive loss	(2,927)	(1,153)
Treasury stock at cost, 33,467 shares	(125)	(125)
Total shareholders' equity	<u>195,710</u>	<u>209,776</u>
Total liabilities and shareholders' equity	<u>\$ 286,171</u>	<u>\$ 326,466</u>

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,	
	2022	2021	2022	2021
Revenues:				
Service fee revenue	\$ 45,234	\$ 43,009	\$ 90,765	\$ 88,529
Product revenue, net	122	4,492	3,319	8,800
Pass-through revenue	19,278	13,598	37,037	24,474
Total revenues	<u>64,634</u>	<u>61,099</u>	<u>131,121</u>	<u>121,803</u>
Costs of Revenues:				
Cost of service fee revenue	35,645	31,863	72,137	65,393
Cost of product revenue	104	4,284	3,055	8,370
Cost of pass-through revenue	19,278	13,598	37,037	24,474
Total costs of revenues	<u>55,027</u>	<u>49,745</u>	<u>112,229</u>	<u>98,237</u>
Gross profit	9,607	11,354	18,892	23,566
Selling, general and administrative expenses	14,077	15,678	30,505	28,609
Loss from operations	<u>(4,470)</u>	<u>(4,324)</u>	<u>(11,613)</u>	<u>(5,043)</u>
Interest (income) expense, net	(151)	333	(145)	708
Loss from continuing operations before income taxes	<u>(4,319)</u>	<u>(4,657)</u>	<u>(11,468)</u>	<u>(5,751)</u>
Income tax expense (benefit), net	184	(155)	502	124
Net loss from continuing operations	<u>(4,503)</u>	<u>(4,502)</u>	<u>(11,970)</u>	<u>(5,875)</u>
Income (loss) from discontinued operations before income taxes	180	(590)	180	(1,410)
Income tax expense, net	—	2,528	—	2,557
Income (loss) from discontinued operations	<u>180</u>	<u>(3,118)</u>	<u>180</u>	<u>(3,967)</u>
Net loss	<u>\$ (4,323)</u>	<u>\$ (7,620)</u>	<u>\$ (11,790)</u>	<u>\$ (9,842)</u>
Basic loss per share				
Loss from continuing operations per share	\$ (0.20)	\$ (0.21)	\$ (0.53)	\$ (0.28)
Income (loss) from discontinued operations per share	0.01	(0.15)	0.01	(0.19)
Basic loss per share	<u>\$ (0.19)</u>	<u>\$ (0.36)</u>	<u>\$ (0.52)</u>	<u>\$ (0.47)</u>
Diluted loss per share				
Loss from continuing operations per share	\$ (0.20)	\$ (0.21)	\$ (0.53)	\$ (0.28)
Income (loss) from discontinued operations per share	0.01	(0.15)	0.01	(0.19)
Diluted loss per share	<u>\$ (0.19)</u>	<u>\$ (0.36)</u>	<u>\$ (0.52)</u>	<u>\$ (0.47)</u>
Weighted average number of shares outstanding:				
Basic	<u>22,650</u>	<u>21,166</u>	<u>22,547</u>	<u>21,221</u>
Diluted	<u>22,650</u>	<u>21,166</u>	<u>22,547</u>	<u>21,221</u>
Comprehensive loss:				
Net loss	\$ (4,323)	\$ (7,620)	\$ (11,790)	\$ (9,842)
Foreign currency translation adjustment	(1,267)	46	(1,774)	(309)
Total comprehensive loss	<u>\$ (5,590)</u>	<u>\$ (7,574)</u>	<u>\$ (13,564)</u>	<u>\$ (10,151)</u>

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, 2022

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock		Total Shareholders' Equity
	Shares	Amount				Shares	Amount	
Balance, March 31, 2022	22,474,862	\$ 21	\$ 177,250	\$ 26,055	\$ (1,660)	33,467	\$ (125)	\$ 201,541
Net loss	—	—	—	(4,323)	—	—	—	(4,323)
Stock-based compensation	—	—	577	—	—	—	—	577
Exercise of stock options	32,875	—	134	—	—	—	—	134
Issuance of shares under stock-based compensation awards	168,858	1	—	—	—	—	—	1
Tax withholding on shares issued under stock-based compensation awards	—	—	(953)	—	—	—	—	(953)
Foreign currency translation	—	—	—	—	(1,267)	—	—	(1,267)
Balance, June 30, 2022	22,676,595	\$ 22	\$ 177,008	\$ 21,732	\$ (2,927)	33,467	\$ (125)	\$ 195,710

Six Months Ended June 30, 2022

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock		Total Shareholders' Equity
	Shares	Amount				Shares	Amount	
Balance, December 31, 2021	22,131,546	\$ 21	\$ 177,511	\$ 33,522	\$ (1,153)	33,467	\$ (125)	\$ 209,776
Net loss	—	—	—	(11,790)	—	—	—	(11,790)
Stock-based compensation	—	—	1,316	—	—	—	—	1,316
Exercise of stock options	88,874	—	436	—	—	—	—	436
Issuance of shares under stock-based compensation awards	456,175	1	—	—	—	—	—	1
Tax withholding on shares issued under stock-based compensation awards	—	—	(2,255)	—	—	—	—	(2,255)
Foreign currency translation	—	—	—	—	(1,774)	—	—	(1,774)
Balance, June 30, 2022	22,676,595	\$ 22	\$ 177,008	\$ 21,732	\$ (2,927)	33,467	\$ (125)	\$ 195,710

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, 2021

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive 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 issued 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 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 issued 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 CASH FLOWS
(In Thousands)

	Six Months Ended June 30,	
	2022	2021
Cash flows from operating activities:		
Net loss	\$ (11,790)	\$ (9,842)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	3,677	4,262
Gain on LiveArea Transaction	(180)	—
Deferred income taxes	43	(77)
Stock-based compensation expense	1,316	3,454
Other	(159)	62
Changes in operating assets and liabilities:		
Accounts receivable	28,584	14,504
Inventories	3,185	(412)
Prepaid expenses, other receivables and other assets	(599)	1,714
Operating leases	(1,173)	(301)
Trade accounts payable, deferred revenues, accrued expenses and other liabilities	(20,153)	(13,688)
Net cash provided by (used in) operating activities	<u>2,751</u>	<u>(324)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(4,663)	(1,985)
Proceeds from sale of property and equipment	26	6
Net cash provided (used) by investing activities	<u>(4,637)</u>	<u>(1,979)</u>
Cash flows from financing activities:		
Net proceeds from issuance of common stock	436	697
Taxes paid on behalf of employees for withheld shares	(2,255)	(1,908)
Payments on finance lease obligations	(162)	(511)
Payments on revolving loan	—	(84,830)
Borrowings on revolving loan	—	92,630
Payments on other debt	—	(1,330)
Borrowings on other debt	—	49
Net cash provided (used) by financing activities	<u>(1,981)</u>	<u>4,797</u>
Effect of exchange rates on cash, cash equivalents and restricted cash	(508)	(389)
Net increase (decrease) in cash and cash equivalents	<u>(4,375)</u>	<u>2,105</u>
Cash and cash equivalents, beginning of period	152,332	10,359
Restricted cash, beginning of period	214	214
Cash and cash equivalents discontinued operations, beginning of period	—	392
Cash, cash equivalents and restricted cash, beginning of period	<u>152,546</u>	<u>10,965</u>
Cash and cash equivalents, end of period	148,171	12,486
Restricted cash, end of period	—	214
Cash and cash equivalents discontinued operations, end of period	—	370
Cash, cash equivalents and restricted cash, end of period	<u>\$ 148,171</u>	<u>\$ 13,070</u>
Supplemental cash flow information:		
Cash paid for income taxes	\$ 5,659	\$ 2,466
Cash paid for interest	\$ 7	\$ 619
Non-cash investing and financing activities:		
Property and equipment acquired under long-term debt and finance leases	\$ —	\$ 1,818

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

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, 2021. We refer to PFSweb, Inc. and its consolidated 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 such, the LiveArea segment has been presented as a discontinued operation beginning with the Company's Form 10-Q for the quarterly period ended June 30, 2021. See Note 3. Discontinued Operations for additional information on our sale of LiveArea.

Results of our operations for interim periods may not be indicative of results for the full fiscal year.

2. Significant Accounting Policies

Use of Estimates

The preparation of consolidated financial statements and related disclosures in conformity with U.S. 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, 2022; 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.

Long-Lived Assets, Goodwill

Long-lived assets include property, goodwill and certain other assets. We make judgments and estimates in conjunction with the carrying value of these assets, including amounts to be capitalized, depreciation methods and useful lives. Additionally, we review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We review goodwill for impairment at least annually, on October 1. We record impairment losses in the period in which we determine the carrying amount is not recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. This may require us to make judgments regarding long-term forecasts of our future revenues and costs related to the assets subject to review.

Income Taxes

For the three and six months ended June 30, 2022 and 2021, 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 jurisdictions 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

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. As of June 30, 2021, the Company 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 beginning with the Company's June 30, 2021 Form 10-Q and is reported as a discontinued operation in this Form 10-Q for the three and six months ended June 30, 2022 and 2021. The LiveArea Transaction closed on August 25, 2021. As a result of the LiveArea Transaction, we now only operate in one business segment, PFS Operations, and therefore we no longer present segment data.

In the three and six months ended June 30, 2022, the Company and the purchaser reached settlement of certain customary post-closing purchase price adjustments and as a result, the Company recorded an incremental \$0.2 million gain on sale in the consolidated statement of operations and comprehensive loss.

In connection with the LiveArea Transaction, the Company entered into a transition services agreement with the purchaser to provide certain accounting and administrative services for a period of up to twelve months. Income generated from transition services provided to the purchaser was \$0.6 million for the six months ended June 30, 2022 and is recorded in selling, general and administrative expenses in the consolidated statement of operations and comprehensive loss. There were no transition services provided during the three months ended June 30, 2022 as the transition services agreement was substantially completed by March 31, 2022.

The following table presents the major components of net loss of LiveArea for three and six months ended June 30, 2022 and 2021 and a reconciliation to the amounts reported in the unaudited condensed consolidated statements of operations and comprehensive loss (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenues:				
Service fee revenue	\$ —	\$ 19,783	\$ —	\$ 36,581
Related party revenue	—	106	—	574
Total revenues	—	19,889	—	37,155
Costs of revenues:				
Cost of service fee revenue	—	10,325	—	20,039
Total costs of revenues	—	10,325	—	20,039
Gross profit	—	9,564	—	17,116
Selling, general and administrative expenses	—	(10,154)	—	(18,526)
Gain on sale	180	—	180	—
Income (loss) from discontinued operations before income taxes	180	(590)	180	(1,410)
Income tax expense	—	2,528	—	2,557
Income (loss) from discontinued operations	\$ 180	\$ (3,118)	\$ 180	\$ (3,967)

The following table presents the depreciation and amortization, capital expenditures and significant noncash operating items for the six months ended June 30, 2021 (in thousands):

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

4. Revenue from Contracts with Clients and Customers

Contract Assets and Contract Liabilities

Costs to fulfill contract assets decreased \$1.9 million from December 31, 2021 to June 30, 2022, primarily due to amortization and recognition of costs. 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.

Contract liabilities were \$7.9 million at December 31, 2021, of which \$2.5 million was recognized as revenue during the six months ended June 30, 2022.

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, 2022 were not materially impacted by any other factors.

Contract balances consist of the following (in thousands):

	June 30, 2022	December 31, 2021
Contract Assets		
Costs to fulfill	\$ 2,513	\$ 4,392
Total contract assets	<u>\$ 2,513</u>	<u>\$ 4,392</u>
Contract Liabilities		
Accrued contract liabilities	\$ 2,057	\$ 2,673
Deferred revenue	3,520	5,224
Total contract liabilities	<u>\$ 5,577</u>	<u>\$ 7,897</u>

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, 2022, 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 \$13.5 million. We expect to recognize revenue on approximately 33% of the remaining performance obligations in 2022, 29% in 2023, 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,	
	2022	2021	2022	2021
Revenues:				
Over time	\$ 64,512	\$ 56,607	\$ 127,802	\$ 113,003
Point-in-time	122	4,492	3,319	8,800
Total revenues	<u>\$ 64,634</u>	<u>\$ 61,099</u>	<u>\$ 131,121</u>	<u>\$ 121,803</u>

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,	
	2022	2021	2022	2021
Revenues by region:				
United States	\$ 54,358	\$ 49,607	\$ 110,298	\$ 96,780
Canada	1,090	1,136	2,322	2,507
Europe	9,186	10,356	18,501	22,516
Total revenues	<u>\$ 64,634</u>	<u>\$ 61,099</u>	<u>\$ 131,121</u>	<u>\$ 121,803</u>

5. Inventory Financing

Supplies Distributors, an indirect wholly-owned subsidiary of the Company, had a short-term credit facility with Peridot Financing Solutions (as successor to 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 \$5.5 million, as per the amended agreement. The agreement had no stated maturity date and provided either party the ability to exit the facility following a 90 day notice.

Product revenue and the related inventory are dependent on the Ricoh distributor agreement. Effective March 2022, as part of Ricoh's continued restructuring of its operations, the Ricoh distributor agreement was terminated and as a result, our product revenue model with Ricoh was discontinued. The Company does not expect to have inventory following the termination of this agreement. The IBM Credit Facility was terminated in connection with the termination of the Ricoh distributor agreement.

The outstanding balance under the IBM Credit Facility, which represented inventory purchases, was \$3.5 million as of December 31, 2021 and was classified as trade accounts payable in the consolidated balance sheets.

6. Loss Per Share

Basic loss per share is computed by dividing net loss available to common stockholders by the weighted-average number of common shares outstanding for the reporting period. Diluted loss per share is computed by dividing net 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. As of June 30, 2022 and 2021 we had outstanding common stock equivalents of approximately 1.7 million and 3.2 million, respectively, that have been excluded from the calculations of diluted earnings per share attributable to common stockholders because their effect would have been antidilutive.

7. 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 as well as confidentiality and data privacy matters. 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.

8. Related Party Transactions

In December 2020, on behalf of a client, the Company entered into an agreement with Pilot Freight Services ("Pilot") under which Pilot provides the Company various freight services. David Beatson, a member of our Board of Directors was also on the Board of Directors of Pilot through May 2022 and holds less than 1% of the outstanding shares in Pilot. Pilot is a portfolio company of ATL Partners, LLC, where Mr. Beatson serves on the Executive Board and is a shareholder of its two funds (less than 1% holdings of each).

We recognized \$0.1 million related party cost of revenues in both the six months ended June 30, 2022 and 2021 and as of June 30, 2022, we had no trade accounts payable balance due to Pilot.

On May 2, 2022, ATL Partners, LLC closed on the sale of Pilot to an unrelated third party and as such, Pilot is no longer a related party of the Company.

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. 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, 2021 filed with the Securities and Exchange Commission (the "SEC") on May 9, 2022 (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 our 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 approximately \$250.0 million in cash, subject to certain adjustments and customary closing conditions including receipt of regulatory approvals (the "LiveArea Transaction"). 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; as such, the LiveArea segment has been presented as a discontinued operation beginning with the Company's Form 10-Q for the quarterly period ended June 30, 2021. Unless otherwise specified, the financial information and discussion in this Form 10-Q are based on our continuing operations and exclude any results of our discontinued operations (i.e., LiveArea).

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 continuing and/or additional future economic impacts are still uncertain, especially as the pandemic continues. 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 will impact our overall fulfillment related costs and staffing. In the interim, we are leveraging our multi-node network and distributing work to our centers with more available labor and/or lower costs, implementing certain productivity enhancements, working together with our clients to reduce costs, and offsetting the cost increases with price increases where necessary.

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 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. For the three and six months ended June 30, 2022 and 2021, 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.

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	
	2022	2021	Change	2022	2021	2022	2021	Change	2022	2021
Revenues										
Service fee revenue	\$ 45,234	\$ 43,009	\$ 2,225	70.0 %	70.4 %	\$ 90,765	\$ 88,529	\$ 2,236	69.2 %	72.7 %
Product revenue, net	\$ 122	\$ 4,492	\$ (4,370)	0.2 %	7.3 %	\$ 3,319	\$ 8,800	\$ (5,481)	2.6 %	7.2 %
Pass-through revenue	\$ 19,278	\$ 13,598	\$ 5,680	29.8 %	22.3 %	\$ 37,037	\$ 24,474	\$ 12,563	28.2 %	20.1 %
Total revenues	\$ 64,634	\$ 61,099	\$ 3,535	100.0 %	100.0 %	\$ 131,121	\$ 121,803	\$ 9,318	100.0 %	100.0 %
Costs of Revenues										
Cost of service fee revenue	\$ 35,645	\$ 31,863	\$ 3,782	78.8 % (1)	74.1 %	\$ 72,137	\$ 65,393	\$ 6,744	79.5 % (1)	73.9 %
Cost of product revenue	\$ 104	\$ 4,284	\$ (4,180)	85.2 % (2)	95.4 %	\$ 3,055	\$ 8,370	\$ (5,315)	92.0 % (2)	95.1 %
Cost of pass-through revenue	\$ 19,278	\$ 13,598	\$ 5,680	100.0 % (3)	100.0 %	\$ 37,037	\$ 24,474	\$ 12,563	100.0 % (3)	100.0 %
Total costs of revenues	\$ 55,027	\$ 49,745	\$ 5,282	85.1 %	81.4 %	\$ 112,229	\$ 98,237	\$ 13,992	85.6 %	80.7 %
Service fee gross profit	\$ 9,589	\$ 11,146	\$ (1,557)	21.2 % (1)	25.9 %	\$ 18,628	\$ 23,136	\$ (4,508)	20.5 % (1)	26.1 %
Product revenue gross profit	\$ 18	\$ 208	\$ (190)	14.8 % (2)	4.6 %	\$ 264	\$ 430	\$ (166)	8.0 % (2)	4.9 %
Total gross profit	\$ 9,607	\$ 11,354	\$ (1,747)	14.9 %	18.6 %	\$ 18,892	\$ 23,566	\$ (4,674)	14.4 %	19.3 %
Selling, General and Administrative expenses	\$ 14,077	\$ 15,678	\$ (1,601)	21.8 %	25.7 %	\$ 30,505	\$ 28,609	\$ 1,896	23.3 %	23.5 %
Loss from continuing operations	\$ (4,470)	\$ (4,324)	\$ (146)	(6.9)%	(7.1)%	\$ (11,613)	\$ (5,043)	\$ (6,570)	(8.9)%	(4.1)%
Interest (income) expense, net	\$ (151)	\$ 333	\$ (484)	(0.2)%	0.5 %	\$ (145)	\$ 708	\$ (853)	(0.1)%	0.6 %
Loss from continuing operations before income taxes	\$ (4,319)	\$ (4,657)	\$ 338	(6.7)%	(7.6)%	\$ (11,468)	\$ (5,751)	\$ (5,717)	(8.7)%	(4.7)%
Income tax expense (benefit), net	\$ 184	\$ (155)	\$ 339	0.3 %	(0.3)%	\$ 502	\$ 124	\$ 378	0.4 %	0.1 %
Net loss from continuing operations	\$ (4,503)	\$ (4,502)	\$ (1)	(7.0)%	(7.4)%	\$ (11,970)	\$ (5,875)	\$ (6,095)	(9.1)%	(4.8)%

- (1) Represents the percentage of Service fee revenue.
- (2) Represents the percentage of Product revenue, net. See discussion on the following page on Product Revenue decrease due to Ricoh business change.
- (3) Represents the percentage of Pass-through revenue.

Total revenues for the three and six months ended June 30, 2022 increased by \$3.5 million and \$9.3 million, respectively, compared with the corresponding periods in 2021. Service fee revenue for the three and six months ended June 30, 2022 increased by \$2.2 million in each period compared to the corresponding periods in 2021 as new client activity and expansion of existing client relationships were partially offset by the impact of certain client terminations, the impact of foreign currency exchange rates and the impact on service fee revenue of certain contracts shared with LiveArea (as described in the next paragraph). Excluding the impact of this LiveArea related contract activity, the Company's service fee revenue increased \$6.8 million and \$15.7 million for the three and six months ended June 30, 2022, respectively, compared with the corresponding periods in 2021.

Certain client contracts supported by the LiveArea segment were not fully transferred to the buyer as part of the LiveArea Transaction. Subsequent to the LiveArea Transaction Date, PFSweb is acting as a prime contractor for these certain client contracts and the related services are being provided by the former LiveArea business as a subcontractor of PFSweb. 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 during the three and six months ended June 30, 2021 period. Subsequent to the LiveArea Transaction in August 2021, revenue billed under this contractor-subcontractor relationship are 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 and \$6.4 million for the three and six months ended June 30, 2021, respectively, are included in service fee revenue in the condensed consolidated statement of operations and comprehensive loss.

Product revenue, net, for the three and six months ended June 30, 2022, decreased by \$4.4 million and \$5.5 million, respectively, compared with the corresponding periods in 2021. Product revenue declined as it was primarily dependent on one client, Ricoh, which restructured its operations and discontinued certain product lines. Effective March 2022, our agreement with this client was terminated and as a result our product revenue model with this client was discontinued.

Pass-through revenue for the three and six months ended June 30, 2022 increased by \$5.7 million and \$12.6 million, respectively, compared with the corresponding period in 2021. The increase is primarily due to increased freight activity (the primary component of pass-through revenue) applicable to certain client accounts and the impact of approximately \$3.9 million and \$8.1 million for the three and six months ended June 30, 2022, respectively, on pass-through revenue of certain contracts shared with LiveArea (as noted above).

Gross margin decreased by 3.7% and 4.9% for the three and six months ended June 30, 2022 compared with the corresponding periods in 2021. The decreased gross margin is due to a decrease of our service fee margin of 4.7% and 5.6% for the three and six months ended June 30, 2022 compared with the corresponding periods in 2021, primarily as a result of increased fulfillment labor costs, which were partially offset by certain price increases. We continue to implement actions to offset labor costs, including leveraging our multi-node network and distributing work to our centers with more available labor and/or lower costs, implementing certain productivity enhancements, working with our clients to reduce costs, and offsetting the cost increases with price increases where necessary. Additionally, our comparative gross margin for the three and six months ended June 30, 2022 versus the prior year periods was negatively impacted by reduced levels of both technology-related project activity and other higher margin non-fulfillment related activity, as well as the negative gross margin impact of the LiveArea related contract activity which generated gross margin in the three and six months ended June 30, 2021 and, as described above, subsequent to the LiveArea Transaction was accounted for as pass-through revenue and pass-through costs in the three and six months ended June 30, 2022.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased \$1.6 million for the three months ended June 30, 2022 compared to the corresponding period in 2021. The decrease was primarily attributable to a decrease in general and administrative payroll cost resulting from reduced personnel, a decrease in stock based compensation expense and a decrease in unallocated facility related expense due to increased utilization which was partially offset by costs related to professional fees and other costs related to regaining the SEC filing compliance and the Company's ongoing strategic alternatives assessment process.

Selling, general and administrative expenses increased \$1.9 million for the six months ended June 30, 2022 compared to the corresponding period in 2021. The increase was primarily attributable to higher professional fees and other costs related to regaining SEC filing compliance, including severance costs applicable to our ongoing efforts to optimize certain corporate functions and costs related to the Company's ongoing strategic alternatives assessment process. These increases were partially offset by a decrease in salaries and wages, \$0.6 million of other income applicable to the transition services agreement related to the LiveArea Transaction which was substantially completed at March 31, 2022, a decrease in stock based compensation expense and a decrease in unallocated facility related expenses due to increased utilization.

Income Taxes

For the three months ended June 30, 2022 loss from continuing operations before income taxes was \$4.3 million and income tax expense was \$0.2 million resulting in an effective tax rate of (4.3)%. For the three months ended June 30, 2021, loss from continuing operations before income taxes was \$4.7 million and income tax benefit was \$0.2 million resulting in an effective tax rate of 3.3%. The effective tax rate varied from the U.S. federal statutory rate for the three months ended June 30, 2022 and 2021 primarily due to state and foreign tax expense.

For the six months ended June 30, 2022 loss from continuing operations before income taxes was \$11.5 million and income tax expense was \$0.5 million resulting in an effective tax rate of (4.4)%. For the six months ended June 30, 2021, loss from continuing operations before income taxes was \$5.8 million and income tax expense was \$0.1 million resulting in an effective tax rate of (2.2)%. The effective tax rate varied from the U.S. federal statutory rate for the six months ended June 30, 2022 and 2021 primarily due to state and foreign tax expense.

Liquidity and Capital Resources

As of June 30, 2022, we have \$148.2 million of cash and cash equivalents, no bank debt and only \$0.2 million of finance leases. Our cash position is expected to satisfy our known operating cash needs, working capital and capital expenditure requirements, debt and lease obligations, and loans to our subsidiaries, if needed, and potential distributions to shareholders for at least the next twelve months. However, our cash position could be impacted by the increasing labor costs as a result of labor market shortages, our ability to adjust our overall cost structure to support a smaller remaining business following the completion of the LiveArea Transaction, and costs related to the Company's ongoing strategic alternatives assessment process.

Cash Flows from Operating Activities

During the six months ended June 30, 2022, net cash provided by operations was \$2.8 million, compared to net cash used in operations of \$0.3 million in the same period in 2021. The six months ended June 30, 2022 and 2021 both included a net cash use related to operations before changes in operating assets and liabilities. Such cash use for both periods was offset by the net impact of changes in assets and liabilities, primarily related to the amount and timing of client revenue billings and collections and vendor purchasing and payment activity, all of which fluctuated during our seasonal peak periods.

Cash Flows from Investing Activities

Cash used in investing activities include capital expenditures of \$4.7 million and \$2.0 million during the six months ended June 30, 2022 and 2021, respectively, exclusive of property and equipment acquired under debt and finance lease financing, which consisted primarily of capitalized software costs and equipment purchases. Due to the net proceeds received from the LiveArea Transaction, the Company is now primarily using its existing cash to fund capital expenditures, whereas in the past the Company would utilize a combination of cash and debt. 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, 2022, cash used in financing activities was \$2.0 million primarily resulting from taxes paid on behalf of employees on shares issued under stock-based compensation awards. Cash provided by financing activities was \$4.8 million during the six months ended June 30, 2021, primarily reflecting borrowing and payment activity on our revolving loan and other debt partially offset by taxes paid on behalf of employees for withheld shares.

Working Capital

During the six months ended June 30, 2022, our working capital decreased to \$151.0 million compared to \$165.1 million at December 31, 2021, which was primarily a result of the losses incurred from operations, \$4.7 million of capital expenditures and \$2.3 million of tax withholding on shares issued under stock-based compensation awards in the six months ended June 30, 2022.

To obtain any necessary additional financing in the future, in addition to our current cash position, we continue to evaluate our needs in light of various financing alternatives potentially available including the sale of equity, utilizing capital or operating leases, or entering into new debt agreements. No assurances can be given we will be successful in obtaining any

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

Inventory Financing

Supplies Distributors, an indirect wholly-owned subsidiary of the Company, had a short-term credit facility with Peridot Financing Solutions (as successor to 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 \$5.5 million, as per the amended agreement. The agreement has no stated maturity date and provided either party the ability to exit the facility following a 90 day notice.

Product revenue and the related inventory are dependent on the Ricoh distributor agreement. Effective March 2022, as part of Ricoh's continued restructuring of its operations, the Ricoh distributor agreement was terminated and as a result, our product revenue model with Ricoh was discontinued. The Company does not expect to have inventory following the termination of this agreement. The IBM Credit Facility was terminated in connection with the termination of the Ricoh distributor agreement.

The outstanding balance under the IBM Credit Facility, which represented inventory purchases, was \$3.5 million as of December 31, 2021 and was classified as trade accounts payable in the consolidated balance sheets.

Product revenue decreased to \$0.1 million and \$3.3 million for the three and six months ended June 30, 2022 and was not a substantial part of the Company's business following several years of product revenue and associated profitability declines.

Debt and Finance Lease Obligations

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 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 the Company’s disclosure controls and procedures are effective as of June 30, 2022.

Notwithstanding the previously identified material weaknesses described 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, 2022 fairly present, in all material respects, the Company’s financial condition, results of operations and cash flows for the periods presented, in conformity with U.S. 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, 2022, the Company’s internal control over financial reporting was ineffective.

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 on Form 10-K for the year ended December 31, 2021,

- our management concluded that the Company did not design, implement, and operate effective process-level control activities related to our order-to-cash process (specifically controls over revenue recognition pertaining to client invoicing) resulting in deficiencies in our process-level control activities.
- 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.
- we 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.
- 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.

We have not remediated the material weaknesses described above as of the date of this Quarterly Report on Form 10-Q for the three and six months ended June 30, 2022.

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 prepared training documentation and held training meetings with invoice preparers and reviewers and designed certain mitigating controls which include monthly analytical review procedures to ensure accuracy of client invoices. Management believes significant progress has been made and the implemented mitigating controls will remediate this material weakness in 2022.

- 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 augmented its accounting and reporting resources, improved controls over financial reporting related to unusual transactions and has regained compliance with the filing requirements of the SEC. Management believes this material weakness will be remediated in 2022.
- The Company has engaged a third-party advisory accounting firm and hired additional temporary resources with requisite tax experience to fill needed roles and assist in proper accounting and financial reporting for income taxes. Management believes the Company has made significant progress improving controls related to preparation and review of our income tax provision, and believes this material weakness will be remediated in 2022.
- Regarding the ITCG deficiencies, the Company has identified and implemented certain mitigating controls in 2021. Our remediation plan with respect to the ITGC deficiencies includes training of personnel tasked with reviewing IT system user access and segregation of duties risks. In addition, the Company will work with its third-party advisory firm to strengthen the design, execution and documentation of certain controls over user access and segregation of duties of certain IT systems. Management believes this material weakness will be remediated in 2022.

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 further training of employees and the design and implementation of additional mitigating controls.

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 six months ended June 30, 2022, there was no change in internal control over financial reporting (as defined in Rule 13a-15(f) or Rule 15d-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

None.

ITEM 1A. Risk Factors

There have been no material changes from the risk factors disclosed in Part I, Item 1A. of our Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

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	<u>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.</u>
2.1.1	<u>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.</u>
3.1	<u>Amended and Restated Certificate of Incorporation of PFSweb, Inc.</u>
3.1.1	<u>Certificate of Amendment of Certificate of Incorporation of PFSweb, Inc.</u>
3.1.2	<u>Certificate of Amendment to Certificate of Incorporation of PFSweb, Inc.</u>
3.1.3	<u>Certificate of Amendment to Certificate of Incorporation of PFSweb, Inc.</u>
3.1.4	<u>Certificate of Amendment to Amended and Restated Certificate of Incorporation of PFSweb, Inc.</u>
3.2	<u>Amended and Restated By-Laws.</u>
4.1	<u>Rights Agreement, dated as of June 8, 2000, between the Company and ChaseMellon Shareholder Services, LLC.</u>
4.1.8	<u>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.</u>
4.2	<u>Description of Registrant's securities.</u>
10.5	<u>Industrial Lease Agreement between Shelby Drive Corporation and Priority Fulfillment Services, Inc. dated as of August 31, 1999</u>
10.5.1	<u>Modification, Ratification and Extension of Lease between Shelby Drive Corporation and Priority Fulfillment Services, Inc. dated as of December 19, 2003</u>
10.5.2	<u>Second Modification, Ratification and Extension of Lease between TIAA Realty, Inc.(successor to Shelby Drive Corporation) and Priority Fulfillment Services, Inc. dated June 3, 2008</u>
10.5.3	<u>Third Modification, Ratification and Extension of Lease dated February 28, 2014 between Southpark Distribution Center Inc., (successor-in-interest to TIAA Realty and Shelby Drive Corporation) and Priority Fulfillment Services, Inc.</u>
10.7*	<u>Form of Change of Control Agreement between the Company and certain of its executive officers.</u>
10.8	<u>Agreement for Inventory Financing by and among Business Supplies Distributors Holdings, LLC, Supplies Distributors, Inc., Priority Fulfillment Services, Inc., PFSweb, Inc., Inventory Financing Partners, LLC and IBM Credit Corporation.</u>
10.11	<u>Subordinated Demand Note by and between Supplies Distributors, Inc. and Priority Fulfillment Services, Inc.</u>
10.12*	<u>Form of Executive Severance Agreement between the Company and certain of its executive officers.</u>
10.12.1*	<u>Form of Amendment of Executive Severance Agreement.</u>
10.12.2*	<u>Form of Amendment to Change in Control Severance Agreement.</u>
10.12.3	<u>Change in Control Severance Agreement</u>
10.44	<u>Lease Agreement dated December 8, 2011, between CCI-Millennium, L.P. and Priority Fulfillment Services, Inc.</u>
10.44.1	<u>First Amendment to Lease Agreement between CCI-Millennium, LP and Priority Fulfillment Services, Inc. dated as of May 1, 2015</u>
10.45	<u>Guaranty of PFSweb, Inc. to CCI-Millennium, L.P.</u>
10.48	<u>Agreement, dated as of May 15, 2013, by and among PFSweb, Inc. and Privet Fund LP, Privet Fund Management LLC, Ryan Levenson and Benjamin Rosenzweig,</u>
10.61	<u>Guaranty dated March 21, 2016 by PFSweb, Inc., in favor of Stateline J, LLC.</u>

10.63 [Industrial Lease agreement dated June 30, 2016 by and between US Industrial Reit III – Midwest and Priority Fulfillment Services, Inc.](#)

10.63.1 [First Amendment to Lease by and between GPT Stateline Road Owner LLC \(successor in interest to US Industrial REIT III-Midwest\) and Priority Fulfillment Services, Inc. dated September 12, 2017](#)

10.63.2 [Second Amendment to Industrial Lease Agreement by and between GPT Stateline Road Owner LLC \(successor in interest to US Industrial REIT III-Midwest\) and Priority Fulfillment Services, Inc. dated August 2, 2021](#)

10.82 [Industrial Lease agreement dated March 18, 2016 by and between Stateline J, LLC and Priority Fulfillment Services, Inc.](#)

10.82.1 [First Amendment to Industrial Lease agreement dated June 1, 2016 by and between Stateline J, LLC and Priority Fulfillment Services, Inc.](#)

10.82.2 [Second Amendment to Industrial Lease agreement dated October 20, 2016 by and between Stateline J, LLC and Priority Fulfillment Services, Inc.](#)

10.86* [Employment Agreement by and between PFSweb, Inc. and James Butler, dated as of June 11, 2019.](#)

10.87* [Employment Agreement by and between Priority Fulfillment Services, Inc., a Delaware corporation and Zach Thomann, dated as of May 17, 2020](#)

10.88 [Logistics Warehouse Lease Agreement between Weerts Logistic Park III NV and Supplies Distributors SA](#)

10.89 [Warehouse Lease Agreement between ProLogis Texas II \(2\) LLC and Priority Fulfillment Services, Inc.](#)

10.89.1 [First Amendment to Lease Agreement between ProLogis Texas II \(2\) LLC and Priority Fulfillment Services, Inc. dated as of May 3, 2021.](#)

10.90 [Warehouse Lease Agreement between Matter Cheyenne Logistics, LLC and Priority Fulfillment Services, Inc.](#)

10.91* [2020 Stock and Incentive Plan.](#)

10.96* [Form of 2020 STI Company Performance Based Cash Award.](#)

10.97* [Form of 2020 STI Company Performance Based Share Award.](#)

10.98* [Form of Amended and Restated 2020 LTI Performance Based Restricted Stock Unit Award.](#)

10.99* [Form of Amended and Restated 2020 LTI Time Based Restricted Stock Unit Award.](#)

10.100** [Form of Amended and Restated 2020 LTI TSR Performance Share Award Agreement.](#)

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.](#)

10.103* [Transaction Retention Bonus Agreement by and between Zach Thomann and Priority Fulfillment Services, Inc. dated as of January 18, 2022.](#)

10.104* [Form of Transaction Bonus Agreement by and between PFSweb, Inc., Priority Fulfillment Services, Inc. and executives.](#)

10.105** [Form of STI Company Performance Based Cash Award](#)

10.106** [Form of STI Company Performance Based Share Award](#)

10.107** [Form of LTI Performance Based Restricted Stock Unit Award](#)

10.108** [Form of LTI Time Based Restricted Stock Unit Award](#)

10.109** [Form of LTI TSR Performance Share Award](#)

10.110* [Form of Deferred Stock Unit Award Agreement](#)

10.111 [Agreement for Lease between Mountpark Logistics EU 2017 23 S.A.R.L., Conexus Limited \(now known as PFS Global Services UK Limited\) and PFSweb, Inc., as Guarantor dated October 15, 2018](#)

10.112 [Lease between Mountpark Logistics EU 2017 23 S.A.R.L., Conexus Limited \(now known as PFS Global Services UK Limited\) and PFSweb, Inc., as Guarantor dated November 9, 2018](#)

- 10.113 [Industrial Building Lease between Priority Fulfillment Services, Inc. and Cheyenne Clayton DRI, LLC dated as of December 13, 2021](#)
- 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, 2022, formatted in Inline XBRL: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations and Comprehensive Loss, (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: August 8, 2022

PFSweb, Inc.

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

AMENDED AND RESTATED 2020 LTI TSR PERFORMANCE SHARE AWARD AGREEMENT

This Amended and Restated Agreement (this "**Agreement**") is deemed effective as of July 1, 2020 (the "**Grant Date**") by and between PFSWEB, INC., a Delaware corporation (the "**Company**") and the individual identified as the Grantee on the Award Certificate provided to the Grantee (the "**Grantee**"). This Agreement was amended and restated to include a "Change in Control" definition.

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, 2020 (the "**First Performance Period**"), (ii) the period from January 1, 2021 to December 31, 2021 (the "**Second Performance Period**"), and (iii) the period from January 1, 2022 to December 31, 2022 (the "**Third Performance Period**").

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

Achievement Level	Award Percentage
Less than 40 th percentile	0%
40 th percentile	50%
60 th percentile	100%
80 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; (iii) 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; (iv) Executive’s conviction for fraud or any other felony or a crime involving dishonesty or moral turpitude; or (v) 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 2020 shall mean the 12-consecutive-month period beginning on January 1, 2020 and ending on December 31, 2020.

“**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.

SIGNATURE PAGE TO 2021 LTI TSR EXECUTIVE PERFORMANCE SHARE AWARD
AGREEMENT

Name of Grantee:	
Target Shares:	
Annual Percentage:	
Cumulative Percentage:	

PFSweb, Inc.

By: _____
Michael Willoughby
Chief Executive Officer

Signature of Grantee

TRANSACTION BONUS AGREEMENT

This Transaction Bonus Agreement (this "Agreement"), dated as of May 11, 2022 (the "Effective Date"), is by and between Michael Willoughby (the "Executive"), PFSweb, Inc., ("PFSW") and Priority Fulfillment Services, Inc. (the "Company" and, together with PFSW, the "Companies") (each a "Party," and collectively, the "Parties").

WHEREAS, the Companies are currently exploring potential strategic alternatives, which may involve a transaction that could result in a Change of Control (as defined below) (a "Transaction") pursuant to a definitive transaction agreement (a "Transaction Agreement");

WHEREAS, the continuing efforts of the Executive are necessary to the successful performance of the ongoing operations of the Companies and its subsidiaries and, should the Board of Directors of PFSW (the "Board") authorize the Companies to enter into any such Transaction, would be necessary to the successful negotiation and execution of a Transaction Agreement and consummation of the transactions contemplated by any such Transaction Agreement (the "Closing"); and

WHEREAS, as an inducement to the Executive to remain employed by the Company or PFSW, as the case may be, through the Closing of any Transaction, the Company has determined that, subject to and effective upon the Closing occurring with respect to such Transaction, the Executive shall be entitled to receive a transaction bonus on the terms and conditions described herein.

1. Transaction Bonus.

(a) In connection with a potential Transaction, the Company approved the granting of a transaction bonus, contingent upon a successful sale of PFSW being completed on or prior to December 31, 2022, or such later date as agreed by the Compensation Committee of the Board of Directors (the "Outside Closing Date"). The Executive shall be eligible to receive a transaction bonus (the "Transaction Bonus") in cash in an amount equal to .255% of the transaction value (the "Transaction Value") of the transaction, "transaction value" having the same meaning as set forth in the engagement letter with Raymond James, the banker working with the Company on the transaction. Except as set forth in Section 1(b) below, the Transaction Bonus shall be subject to (i) the Executive actively supporting and working towards the execution of a Transaction Agreement and the completion of all of the requirements necessary to consummate the Transaction, as reasonably determined by the Compensation Committee of the Board, prior to the Closing, (ii) the Executive continuing to be employed in good standing by the Company or PFSW, as the case may be, from the Effective Date through the Closing and (iii) the Closing of a Transaction occurring on or prior to the "Outside Closing Date." If all of the foregoing conditions are satisfied, the Transaction Bonus shall be paid to the Executive in a single lump-sum payment as soon as practicable as administratively practicable following Closing, but in no event later than thirty (30) days following Closing.

For the purposes of this Agreement, "Change of Control" means (i) 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.

(b) If the Executive's employment is terminated by the Company prior to a Change of Control in connection with or in anticipation of such Change of Control (other than for cause), and a Transaction is completed on or prior to the Outside Closing Date, the Executive shall be entitled to, and the Company shall be required to, subject to the Executive's execution of a general release in favor of the Company that is reasonably acceptable to the Company (the "Release") within (30) days following such termination (which release is not revoked), pay the Executive the Transaction Bonus on the later of (i) thirty (30) days following the Closing, or (ii) forty-five (45) days following the Executive's termination of employment; provided that the Closing of the Transaction occurs on or prior to the Outside Closing Date.

2. 280G Parachute Payments.

(a) Notwithstanding any other provision of this Agreement or any other plan, arrangement or Agreement to the contrary, if any of the payments or benefits provided or to be provided by the Company or its affiliates to the Executive or for the Executive's benefit pursuant to the terms of this Agreement ("Covered Payments") constitute parachute payments ("Parachute Payments") within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code") and will be subject to the excise tax imposed under Section 4999 of the Code (or any successor provision thereto) or any interest or penalties with respect to such excise tax (collectively, the "Excise Tax"), then the Company shall pay to the Executive, no later than the time the Excise Tax is required to be paid by the Executive or withheld by the Company, an additional amount (the "Gross-up Payment") equal to the sum of the Excise Tax payable by the Executive, plus the amount necessary to put the Executive in the same after-tax position (taking into account any and all applicable federal, state, local and foreign income, employment and excise taxes (including the Excise Tax and any income and employment taxes imposed on the Gross-up Payment)) that the Executive would have been in if the Executive had not incurred any tax liability under Section 4999 of the Code.

(b) Any determination required under this Section 2, including whether any payments or benefits are Parachute Payments, shall be made by the Company in its sole discretion. The Executive shall provide the Company with such information and documents as the Company may reasonably request in order to make a determination under this Section 2. The Company's determination shall be final and binding on the Company and the Executive.

(c) In light of the uncertainty in applying Section 4999 of the Code, if it is subsequently determined that the Gross-up Payment is not sufficient to put the Executive in the same after-tax position (taking into account any and all applicable federal, state, local and foreign income, employment and excise taxes (including the Excise Tax and such taxes imposed on the Gross-up Payment)) that the Executive would have been in if the Executive had not incurred the Excise Tax, then the Company shall promptly pay to or for the benefit of the Executive such additional amounts necessary to put the Executive in the same after-tax position that the Executive would have been in if the Excise Tax had not been imposed. In the event that a written ruling of the Internal Revenue Service (the "IRS") is obtained by or on behalf of the Company or the Executive, which provides that the Executive is not required to pay, or is entitled to a refund with respect to, all or a portion of the Excise Tax, then the Executive shall reimburse the Company in an amount equal to the Gross-up Payment, less any amounts which remain payable by or are not refunded to the Executive, within fourteen (14) days of the date of the IRS determination or the date the Executive receives the refund, as applicable. The Executive and the Company shall reasonably cooperate with each

other in connection with any administrative or judicial proceedings concerning the existence or amount of liability for the Excise Tax.

3. **Entire Agreement.** This Agreement contains the entire agreement between the Executive and the Company with respect to the subject matter hereof and supersedes all prior agreements, written or oral, with respect thereto.

4. **Waiver and Amendments.** This Agreement may be amended, modified, superseded, or canceled, and the terms and conditions hereof may be waived, only by a written instrument signed by the Parties or, in the case of a waiver, by the Party waiving compliance. No delay on the part of any Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any Party of any right, power or privilege hereunder, nor any single or partial exercise of any right, power or privilege hereunder, preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder.

5. **Governing Law; Venue.** This Agreement shall be governed and construed in accordance with the laws of the State of Texas, without regard to conflicts of laws principles thereof: All disputes arising out of or related to this Agreement shall be submitted to the state and federal courts of Texas, and the Parties irrevocably consent to such personal jurisdiction and waive all objections thereto, but do so only for the purposes of this Agreement.

6. **Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument.

7. **Severability.** The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof. If any provision of this Agreement, or the application thereof to any Party or any circumstance, is invalid or unenforceable, (a) a suitable and equitable provision shall be substituted therefor in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision and (b) the remainder of this Agreement and the application of such provision to other Parties or circumstances shall not be affected by such invalidity or unenforceability, nor shall such invalidity or unenforceability affect the validity or enforceability of such provision, or the application thereof, in any other jurisdiction.

8. **Section 409A.** This Agreement is intended to be excepted from Section 409A as installment payments made during the short-term deferral period in compliance with Treasury regulation Section 1.409A-1 (b)(4). To the extent this Agreement results in "nonqualified deferred compensation" subject to Section 409A, it is expressly intended that the Agreement shall comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended. To the extent that any provision in this Agreement is ambiguous as to its compliance with Section 409A, the provision shall be read in such a manner so that all payments hereunder shall comply with Section 409A. Notwithstanding the foregoing, the Company makes no representation that this Agreement complies with Section 409A and shall have no liability to the Executive for any failure to comply with Section 409A.

9. **Tax Withholding.** The Company shall have the right to deduct from any payment due under this Agreement, any applicable withholding taxes or other deductions required by law to be withheld with respect to such payment and to take such action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes.

10. **Termination of Agreement.** Notwithstanding anything to the contrary herein, if either (a) the Closing fails to be consummated by the Outside Closing Date or (b) the Executive's employment terminates for any reason (other than an Anticipatory Termination) prior to the Closing, then this Agreement shall automatically terminate without any further action by the Parties hereto and this Agreement shall be null and void and have no further force and effect. Notwithstanding the foregoing, Section 2 of this Agreement shall survive the termination of this Agreement.

IN WITNESS WHEREOF, the Parties hereto, intending to be legally bound hereby, have executed this Agreement as of the day and year first above mentioned.

COMPANIES	EXECUTIVE
By:	By:
Name: Mercedes De Luca	Name: Michael Willoughby
Title: Compensation Committee Chair of PFSweb, Inc.	Title: CEO, PFSW and PFS

_____[fiscal year] STI COMPANY PERFORMANCE-BASED CASH AWARD

THIS _____ STI COMPANY PERFORMANCE-BASED CASH AWARD (this “Agreement”) is made and entered into as of the _____ day of _____, 20__ (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 2022 shall mean the 12-consecutive-month period beginning on January 1, 2022 and ending on December 31, 2022.

“Fiscal Year Date” shall mean December 31, 20__.

“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 20__.

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 20__ 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 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 20__.

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.

____[fiscal year] STI COMPANY PERFORMANCE-BASED SHARE AWARD

THIS ____STI COMPANY PERFORMANCE-BASED SHARE AWARD (this “Agreement”) is made and entered into as of the ____ day of _____, 20__ (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 2022 shall mean the 12-consecutive-month period beginning on January 1, 2022 and ending on December 31, 2022.

“Fiscal Year Date” shall mean December 31, 20__.

“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 20__.

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 20__ 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 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 20__; 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"), 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. **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.

____[fiscal year] LTI PERFORMANCE-BASED RESTRICTED STOCK UNIT AWARD

THIS ____ LTI TIME AND PERFORMANCE-BASED RESTRICTED STOCK UNIT AWARD (this “Agreement”) is made and entered into as of the ____ day of ____, 20__ (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 2022 shall mean the 12-consecutive-month period beginning on January 1, 2022 and ending on December 31, 2022.

“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, 20__, December 31, 20__ and December 31, 20__, 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, 20__	33.33% of the number of Restricted Stock Units
December 31, 20__	33.33% of the number of Restricted Stock Units
December 31, 20__	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 2022 Fiscal Year and the 2023 Fiscal Year, but fails to achieve the Base Bonus Target for the 2024 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 2022 Fiscal Year and 33.34% of the Restricted Stock Units will vest for the 2023 Fiscal Year, but not for the 2024 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.

____[fiscal year] LTI TIME BASED RESTRICTED STOCK UNIT AWARD

THIS _____ LTI TIME BASED RESTRICTED STOCK UNIT AWARD (this “Agreement”) is made and entered into as of the ____ day of ____, 20__ (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 2022 shall mean the 12-consecutive-month period beginning on January 1, 2022 and ending on December 31, 2022.

“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, 20__, December 31, 20__ and December 31, 20__, 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, 20	33.33% of the number of Restricted Stock Units
December 31, 20	33.33% of the number of Restricted Stock Units
December 31, 20	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"), 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. 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.

_____[fiscal year] LTI TSR PERFORMANCE SHARE AWARD AGREEMENT

This Agreement (this "**Agreement**") is made and entered into as of _____ 20__ (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 on the signature page hereof.

"**Annual Performance Period**" means, as applicable (i) the period from the Grant Date to December 31, 20__ (the "**First Performance Period**"), (ii) the period from January 1, 20__ to December 31, 20__ (the "**Second Performance Period**"), and (iii) the period from January 1, 20__ to December 31, 20__ (the "**Third Performance Period**").

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

Achievement Level	Award Percentage
Less than 40 th percentile	0%
40 th percentile	50%
60 th percentile	100%
80 th percentile or above	130%

If the Achievement Level is above the 40th percentile and below the 80th 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; (iii) 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; (iv) Executive’s conviction for fraud or any other felony or a crime involving dishonesty or moral turpitude; or (v) 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 on the signature page hereof.

“**Cumulative Performance Period**” means, as applicable (i) the period from the Grant Date to December 31, 20__, and (ii) the period from the Grant Date to December 31, 20__.

“**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 2022 shall mean the 12-consecutive-month period beginning on January 1, 2022 and ending on December 31, 2022.

“**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.

SIGNATURE PAGE TO 20__ LTI TSR EXECUTIVE PERFORMANCE SHARE AWARD
AGREEMENT

Name of Grantee:	
Target Shares:	
Annual Percentage:	
Cumulative Percentage:	

PFSweb, Inc.

By: _____
Michael Willoughby
Chief Executive Officer

Signature of Grantee

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

Date: August 8, 2022

By: /s/ MICHAEL WILLOUGHBY
Chief Executive Officer

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

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

Date: August 8, 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, 2022 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in the Form 10-Q.

August 8, 2022

/s/ Michael Willoughby

Michael Willoughby

Chief Executive Officer

August 8, 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.