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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

**FORM 8-K**

**CURRENT REPORT  
PURSUANT TO SECTION 13 OR 15(D) OF  
THE SECURITIES EXCHANGE ACT OF 1934**

**DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED): March 23, 2011**

**PFSweb, Inc.**

(Exact name of registrant as specified in its charter)

Delaware  
(STATE OR OTHER JURISDICTION  
OF INCORPORATION)

000-28275  
(COMMISSION FILE NUMBER)

75-2837058  
(IRS EMPLOYER  
IDENTIFICATION NO.)

500 NORTH CENTRAL EXPRESSWAY  
PLANO, TX 75074  
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

(972) 881-2900  
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

N/A  
(FORMER NAME OR ADDRESS, IF CHANGED SINCE LAST REPORT)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communication pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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## INFORMATION TO BE INCLUDED IN THE REPORT

### ITEM 2.02. Results of Operations and Financial Condition

On March 23, 2011, PFSweb, Inc. issued a press release announcing its financial results for the quarter ended December 31, 2010. Attached to this current report on Form 8-K is a copy of the related press release dated March 23, 2011. The information in this Report on Form 8-K, and the exhibit hereto, shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that Section.

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release Issued March 23, 2011

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**SIGNATURE**

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 hereunto duly authorized.

**PFSweb, Inc.**

Dated: March 24, 2011

By: /s/ Thomas J. Madden

Thomas J. Madden  
Executive Vice President, Chief Financial and  
Accounting Officer



**FOR IMMEDIATE RELEASE**

Contact:  
 Mark C. Layton  
 Chief Executive Officer  
 or Thomas J. Madden  
 Chief Financial Officer  
 (972) 881-2900

Todd Fromer / Garth Russell  
 Investor Relations  
 KCSA Strategic Communications  
 (212) 896-1215 / (212) 896-1250  
 tfromer@kcsa.com / grussell@kcsa.com

**PFSweb Reports Fourth Quarter and Year-End 2010 Results**

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*Fourth Quarter Service Fee Revenue Increases 35% Year-over-year*

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*Fourth Quarter Adjusted EBITDA Increases 328% to \$2.6 Million*

**PLANO, Texas, March 23, 2011 — PFSweb, Inc. (Nasdaq: PFSW)**, an international business process outsourcing services provider of end-to-end web commerce solutions, today announced its financial results for the fourth quarter and year ended December 31, 2010.

Mark Layton, Chairman and Chief Executive Officer of PFSweb, stated, "Our results for the fourth quarter and year ended December 31, 2010 are a testament to the renewed strength of our business and our ability to capitalize on new opportunities in the expanding eCommerce industry. Our Service Fee revenue increased more than 35% during the fourth quarter of 2010 as compared to the prior year, and more than 20% for the full calendar year. This strong Service Fee revenue growth, combined with a continued focus on cost effective technology development and operational management, resulted in an increased Adjusted EBITDA performance of 328% in the fourth quarter of 2010, as compared to the prior year, and more than 55% for the full calendar year.

"We continue to see strong acceptance of our eCommerce services in the U.S. as well as in Europe, which has recently shown vast opportunity for our solutions. This led to us launching more than 10 new client programs during 2010, including Carter's, Juicy Couture, Kensie, Monet, Volcom, Havaianas, and several brands under a master agreement with a leading fragrance and beauty company. Most of these new client arrangements include new custom branded eCommerce sites supported by our complete End2End solution, which is a packaged offering that generally includes the Demandware eCommerce platform, along with our logistics and fulfillment capabilities, high-touch customer care, financial services and various interactive marketing services."

**Summary of consolidated results for the fourth quarter ended December 31, 2010:**

- Total revenue increased to \$76.3 million for the fourth quarter of 2010 compared to \$72.8 million for fourth quarter of 2009;
  - Service Fee revenue increased more than 35% to \$21.7 million, compared with \$16.0 million for the same period in 2009;
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- Adjusted EBITDA (as defined) was \$2.6 million versus \$0.6 million for the fourth quarter of 2009;
- Net loss was \$2.7 million, or \$0.22 per basic and diluted share, compared to net loss of \$0.9 million, or \$0.10 per basic and diluted share, for the fourth quarter of 2009. Net loss for the fourth quarter of 2010 included a \$3.2 million loss from discontinued operations related to eCOST.com. Net loss for the fourth quarter of 2009 included \$0.4 million income from discontinued operations related to eCOST.com;
- Non-GAAP net income (as defined) was \$0.7 million, or \$0.05 per basic and diluted share, compared to a non-GAAP net loss of \$1.3 million, or \$0.13 per basic and diluted share, for the fourth quarter of 2009;
- Total cash, cash equivalents and restricted cash was \$20.3 million as of December 31, 2010 compared to \$16.9 million as of December 31, 2009.

**Summary of consolidated results for the year ended December 31, 2010:**

- Total reported revenue was \$274.5 million compared to \$267.9 million for the year ended December 31, 2009;
- Service Fee revenue increased 20.5% to \$70.6 million, compared with \$58.6 million for the same period in 2009;
- Adjusted EBITDA (as defined) was \$5.5 million compared to \$3.5 million for the year ended December 31, 2009;
- Net loss was \$7.4 million, or \$0.65 per basic and diluted share, compared to net loss of \$4.6 million, or \$0.46 per basic and diluted share, for the year ended December 31, 2009. Net loss for 2010 included a \$4.0 million loss from discontinued operations related to eCOST.com. Net loss for 2009 included \$0.3 million income from discontinued operations applicable to eCOST.com;
- Non-GAAP net loss was \$1.9 million, or \$0.17 per basic and diluted share, compared to non-GAAP net loss of \$4.5 million, or \$0.45 per basic and diluted share, for the year ended December 31, 2009.

“We believe we are well positioned to maintain strong growth moving forward, as we expect demand for our services will continue to increase. Our pipeline for potential new Service Fee business currently totals more than \$50 million, based on client projections, the largest in PFSweb’s history, with potential new clients in several expanding markets, including the fashion, cosmetics and consumer packaged goods markets. To support the ongoing growth of our business, we are in the process of expanding capacity at select warehouse and customer care facilities and making other strategic investments that will also allow us to offer new capabilities. Based on our expected Service Fee revenue growth of approximately 20% in calendar year 2011, combined with the incremental investments we are making to support our long-term initiatives, we are currently targeting to report Adjusted EBITDA between \$6.0 million to \$7.0 million for the year ended December 31, 2011,” continued Mr. Layton.

“In an effort to streamline our operations and improve our overall financial results, we made the strategic decision to divest the eCOST.com business. We believe this action will allow us take what we have learned at the frontline of the web commerce retail world and focus that knowledge more resourcefully on our growing Service Fee business. As a result of this divestiture, we reported certain financial results as ‘discontinued operations’ for the quarters and years ended December 31, 2010 and 2009. In addition, we recorded a non-cash goodwill impairment charge of approximately \$2.8 million

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for the quarter and year ended December 31, 2010, which is included in the discontinued operations,” concluded Mr. Layton.

### **Conference Call Information**

Management will host a conference call at 10:30 am Eastern Time (9:30 am Central Time) on Wednesday, March 23, 2011, to discuss the latest corporate developments and results. To listen to the call, please dial (888) 562-3356 and enter the pin number 49410379 at least five minutes before the scheduled start time. Investors can also access the call in a “listen only” mode via the Internet at the Company’s website, [www.pfsweb.com](http://www.pfsweb.com). Please allow extra time prior to the call to visit the site and download any necessary audio software.

A digital replay of the conference call will be available through April 23, 2011 at (800) 642-1687, pin number 49410379. The replay also will be available at the Company’s website for a limited time.

### **Non-GAAP Financial Measures**

This news release may contain certain non-GAAP measures, including non-GAAP net income (loss), Earnings Before Interest, Income Taxes, Depreciation and Amortization (“EBITDA”) and Adjusted EBITDA.

Non-GAAP net income (loss) represents net income (loss) calculated in accordance with U.S. GAAP as adjusted for the impact of non-cash stock-based compensation expense, income (loss) from discontinued operations and executive disability benefits.

EBITDA represents earnings (or losses) before income (loss) from discontinued operations, interest, income taxes, depreciation, and amortization. Adjusted EBITDA further eliminates the effect of stock-based compensation and executive disability benefits.

Non-GAAP net income (loss), EBITDA and Adjusted EBITDA are used by management, analysts, investors and other interested parties in evaluating our operating performance compared to that of other companies in our industry. The calculation of non-GAAP net income (loss) eliminates the effect of stock-based compensation, income (loss) from discontinued operations and executive disability benefits and EBITDA and Adjusted EBITDA further eliminate the effect of financing, income taxes, and the accounting effects of capital spending, which items may vary from different companies for reasons unrelated to overall operating performance.

PFSweb believes these non-GAAP measures provide useful information to both management and investors by excluding certain expenses that may not be indicative of its core operating results. These measures should be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for, or superior to, GAAP results. The non-GAAP measures included in this press release have been reconciled to the GAAP results in the attached tables.

### **About PFSweb, Inc.**

PFSweb develops and deploys comprehensive end-to-end eCommerce solutions for Fortune 1000, Global 2000 and brand name companies, including interactive marketing services, global fulfillment and logistics and high-touch customer care. The company serves a multitude of industries and company types, including such clients as P&G, LEGO, Carter’s, Lucky Brand Jeans, Juicy Couture, Kensie, Monet, kate spade new york, AAFES, Riverbed, InfoPrint Solutions Company, Hawker Beechcraft Corp., Roots Canada Ltd. and Xerox.

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To find out more about PFSweb, Inc. (NASDAQ: PFSW), visit the company's website at <http://www.pfsweb.com>.

*The matters discussed herein consist of forward-looking information under the Private Securities Litigation Reform Act of 1995 and is subject to and involves risks and uncertainties, which could cause actual results to differ materially from the forward-looking information. PFSweb's Annual Report on Form 10-K for the year ended December 31, 2009 and Quarterly Report on Form 10-Q for the nine months ended September 30, 2010 identify certain factors that could cause actual results to differ materially from those projected in any forward looking statements made and investors are advised to review the Annual and Quarterly Reports and the Risk Factors described therein. PFSweb undertakes no obligation to update publicly any forward-looking statement for any reason, even if new information becomes available or other events occur in the future. There may be additional risks that we do not currently view as material or that are not presently known.*

(TABLES FOLLOW)

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**PFSweb, Inc. and Subsidiaries**Unaudited Condensed Consolidated Statements of Operations (A)  
(In Thousands, Except Per Share Data)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2010	2009	2010	2009
<b>REVENUES:</b>				
Product revenue, net	\$ 46,021	\$ 47,288	\$ 174,613	\$ 183,008
Service fee revenue	21,688	16,015	70,636	58,619
Pass-thru revenue	8,605	9,517	29,267	26,265
Total revenues	<u>76,314</u>	<u>72,820</u>	<u>274,516</u>	<u>267,892</u>
<b>COSTS OF REVENUES:</b>				
Cost of product revenue	43,108	44,048	162,485	168,864
Cost of service fee revenue	15,722	11,492	51,144	41,898
Cost of pass-thru revenue	8,605	9,517	29,267	26,265
Total costs of revenues	<u>67,435</u>	<u>65,057</u>	<u>242,896</u>	<u>237,027</u>
Gross profit	8,879	7,763	31,620	30,865
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b>				
	8,020	8,844	33,611	34,270
Income (loss) from operations	859	(1,081)	(1,991)	(3,405)
<b>INTEREST EXPENSE, NET</b>				
	202	233	940	1,186
Income (loss) before income taxes	657	(1,314)	(2,931)	(4,591)
<b>INCOME TAX PROVISION (BENEFIT)</b>				
	210	60	463	321
<b>INCOME (LOSS) FROM CONTINUING OPERATIONS</b>	447	(1,374)	(3,394)	(4,912)
<b>INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX</b>	(3,192)	427	(3,975)	342
<b>NET LOSS</b>	<u>\$ (2,745)</u>	<u>\$ (947)</u>	<u>\$ (7,369)</u>	<u>\$ (4,570)</u>
<b>NON-GAAP INCOME (LOSS)</b>	<u>\$ 673</u>	<u>\$ (1,276)</u>	<u>\$ (1,935)</u>	<u>\$ (4,505)</u>
<b>NET LOSS PER SHARE:</b>				
Basic and Diluted	<u>\$ (0.22)</u>	<u>\$ (0.10)</u>	<u>\$ (0.65)</u>	<u>\$ (0.46)</u>
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:</b>				
Basic and Diluted	<u>12,237</u>	<u>9,934</u>	<u>11,310</u>	<u>9,929</u>
<b>EBITDA</b>	<u>\$ 2,326</u>	<u>\$ 497</u>	<u>\$ 4,069</u>	<u>\$ 3,139</u>
<b>ADJUSTED EBITDA</b>	<u>\$ 2,552</u>	<u>\$ 595</u>	<u>\$ 5,528</u>	<u>\$ 3,546</u>

(A) The financial data above should be read in conjunction with the audited consolidated financial statements of PFSweb, Inc. included in its Form 10-K for the year ended December 31, 2009.



**PFSweb, Inc. and Subsidiaries**Reconciliation of certain Non-GAAP Items to GAAP  
(In Thousands, Except Per Share Data)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2010	2009	2010	2009
NET LOSS	\$ (2,745)	\$ (947)	\$ (7,369)	\$ (4,570)
(Income) loss from discontinued operations, net of tax	3,192	(427)	3,975	(342)
Income tax expense (benefit)	210	60	463	321
Interest expense	202	233	940	1,186
Depreciation and amortization	1,467	1,578	6,060	6,544
EBITDA	\$ 2,326	\$ 497	\$ 4,069	\$ 3,139
Stock-based compensation	226	98	809	407
Executive disability benefits	—	—	650	—
ADJUSTED EBITDA	\$ 2,552	\$ 595	\$ 5,528	\$ 3,546

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2010	2009	2010	2009
NET LOSS	\$ (2,745)	\$ (947)	\$ (7,369)	\$ (4,570)
(Income) loss from discontinued operations, net of tax	3,192	(427)	3,975	(342)
Stock-based compensation	226	98	809	407
Executive disability benefits	—	—	650	—
NON-GAAP INCOME (LOSS)	\$ 673	\$ (1,276)	\$ (1,935)	\$ (4,505)

## NET LOSS PER SHARE:

Basic and Diluted	\$ (0.22)	\$ (0.10)	\$ (0.65)	\$ (0.46)
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## NON-GAAP INCOME (LOSS) Per Share:

Basic and Diluted	\$ 0.05	\$ (0.13)	\$ (0.17)	\$ (0.45)
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**PFSweb, Inc. and Subsidiaries**  
 Unaudited Condensed Consolidated Balance Sheets  
 (In Thousands, Except Share Data)

	<u>December 31,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 18,430	\$ 14,812
Restricted cash	1,853	2,096
Accounts receivable, net of allowance for doubtful accounts of \$754 and \$973 at December 31, 2010 and December 31, 2009, respectively	41,438	39,861
Inventories, net of reserves of \$1,561 and \$1,760 at December 31, 2010 and December 31, 2009, respectively	35,161	33,577
Assets of discontinued operations	2,776	4,372
Other receivables	14,539	11,605
Prepaid expenses and other current assets	3,580	4,170
Total current assets	<u>117,777</u>	<u>110,493</u>
PROPERTY AND EQUIPMENT, net	9,124	10,314
ASSETS OF DISCONTINUED OPERATIONS	1,126	4,024
OTHER ASSETS	2,203	2,938
Total assets	<u><u>130,230</u></u>	<u><u>127,769</u></u>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Current portion of long-term debt and capital lease obligations	\$ 18,320	\$ 19,179
Trade accounts payable	55,692	53,642
Deferred revenue	5,254	5,164
Accrued expenses	15,870	13,180
Total current liabilities	<u>95,136</u>	<u>91,165</u>
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, less current portion	2,136	3,348
OTHER LIABILITIES	3,608	3,903
Total liabilities	<u>100,880</u>	<u>98,416</u>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>SHAREHOLDERS' EQUITY:</b>		
Preferred stock, \$1.00 par value; 1,000,000 shares authorized; none issued and outstanding	—	—
Common stock, \$.001 par value; 35,000,000 shares authorized; 12,255,064 and 9,952,164 shares issued at December 31, 2010 and December 31, 2009, respectively; and 12,236,703 and 9,933,803 outstanding as of December 31, 2010 and December 31, 2009, respectively	12	10
Additional paid-in capital	101,229	93,152
Accumulated deficit	(73,332)	(65,963)
Accumulated other comprehensive income	1,526	2,239
Treasury stock at cost, 18,361 shares	(85)	(85)
Total shareholders' equity	<u>29,350</u>	<u>29,353</u>
Total liabilities and shareholders' equity	<u><u>\$ 130,230</u></u>	<u><u>\$ 127,769</u></u>

**PFSweb, Inc. and Subsidiaries**  
Unaudited Consolidating Statements of Operations  
For the Three Months Ended March 31, 2010  
(In Thousands)

	PFSweb	Business & Retail Connect	eCOST	Eliminations	Consolidated
<b>REVENUES:</b>					
Product revenue, net	\$ —	\$ 45,622	\$ —	\$ —	\$ 45,622
Service fee revenue	15,979	—	—	—	15,979
Service fee revenue — affiliate	1,700	—	—	(1,700)	—
Pass-thru revenue	6,637	—	—	(3)	6,634
Total revenues	<u>24,316</u>	<u>45,622</u>	<u>—</u>	<u>(1,703)</u>	<u>68,235</u>
<b>COSTS OF REVENUES:</b>					
Cost of product revenue	—	42,362	—	—	42,362
Cost of service fee revenue	12,101	—	—	(647)	11,454
Cost of pass-thru revenue	6,637	—	—	(3)	6,634
Total costs of revenues	<u>18,738</u>	<u>42,362</u>	<u>—</u>	<u>(650)</u>	<u>60,450</u>
Gross profit	5,578	3,260	—	(1,053)	7,785
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b>					
	7,400	2,261	—	(1,053)	8,608
Income (loss) from operations	(1,822)	999	—	—	(823)
<b>INTEREST EXPENSE (INCOME), NET</b>					
	(56)	310	—	—	254
Income (loss) before income taxes	(1,766)	689	—	—	(1,077)
<b>INCOME TAX PROVISION (BENEFIT)</b>					
	(130)	256	—	—	126
<b>INCOME (LOSS) FROM CONTINUING OPERATIONS</b>					
	(1,636)	433	—	—	(1,203)
<b>INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX</b>					
	—	—	(6)	—	(6)
NET INCOME (LOSS)	<u>\$ (1,636)</u>	<u>\$ 433</u>	<u>\$ (6)</u>	<u>\$ —</u>	<u>\$ (1,209)</u>
NON-GAAP NET INCOME (LOSS)	<u>\$ (1,540)</u>	<u>\$ 433</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (1,107)</u>
<b>EBITDA</b>					
	<u>\$ (276)</u>	<u>\$ 1,007</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 731</u>
ADJUSTED EBITDA	<u>\$ (180)</u>	<u>\$ 1,007</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 827</u>

A reconciliation of NET INCOME (LOSS) to EBITDA and ADJUSTED EBITDA follows:

NET INCOME (LOSS)	\$ (1,636)	\$ 433	\$ (6)	\$ —	(1,209)
(Income) loss from discontinued operations, net of tax	—	—	6	—	6
Income tax expense (benefit)	(130)	256	—	—	126
Interest expense (income)	(56)	310	—	—	254
Depreciation and amortization	1,546	8	—	—	1,554
EBITDA	<u>\$ (276)</u>	<u>\$ 1,007</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 731</u>
Stock-based compensation	96	—	—	—	96
ADJUSTED EBITDA	<u>\$ (180)</u>	<u>\$ 1,007</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 827</u>

A reconciliation of NET INCOME (LOSS) to NON-GAAP NET INCOME (LOSS) follows:

NET INCOME (LOSS)	\$ (1,636)	\$ 433	\$ (6)	\$ —	\$ (1,209)
(Income) loss from discontinued operations, net of tax	—	—	6	—	6
Stock-based compensation	96	—	—	—	96
NON-GAAP NET INCOME (LOSS)	<u>\$ (1,540)</u>	<u>\$ 433</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (1,107)</u>

Note: Business and Retail Connect includes our Supplies Distributors and PFS Retail Connect operations, which operate similar financial models on behalf of our client relationships. PFSweb and PFS Retail Connect include certain ongoing activity formerly reported as eCOST.

**PFSweb, Inc. and Subsidiaries**  
Unaudited Consolidating Statements of Operations  
For the Three Months Ended June 30, 2010  
(In Thousands)

	PFSweb	Business & Retail Connect	eCOST	Eliminations	Consolidated
<b>REVENUES:</b>					
Product revenue, net	\$ —	\$ 43,654	\$ —	\$ —	\$ 43,654
Service fee revenue	16,567	—	—	—	16,567
Service fee revenue — affiliate	1,738	—	—	(1,738)	—
Pass-thru revenue	6,202	—	—	(16)	6,186
Total revenues	<u>24,507</u>	<u>43,654</u>	<u>—</u>	<u>(1,754)</u>	<u>66,407</u>
<b>COSTS OF REVENUES:</b>					
Cost of product revenue	—	40,623	—	—	40,623
Cost of service fee revenue	12,572	—	—	(585)	11,987
Cost of pass-thru revenue	6,202	—	—	(16)	6,186
Total costs of revenues	<u>18,774</u>	<u>40,623</u>	<u>—</u>	<u>(601)</u>	<u>58,796</u>
Gross profit	5,733	3,031	—	(1,153)	7,611
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b>					
	<u>7,310</u>	<u>2,221</u>	<u>—</u>	<u>(1,153)</u>	<u>8,378</u>
Income (loss) from operations	(1,577)	810	—	—	(767)
<b>INTEREST EXPENSE (INCOME), NET</b>					
	<u>(59)</u>	<u>293</u>	<u>—</u>	<u>—</u>	<u>234</u>
Income (loss) before income taxes	(1,518)	517	—	—	(1,001)
<b>INCOME TAX PROVISION (BENEFIT)</b>					
	<u>(142)</u>	<u>196</u>	<u>—</u>	<u>—</u>	<u>54</u>
<b>INCOME (LOSS) FROM CONTINUING OPERATIONS</b>					
	<u>(1,376)</u>	<u>321</u>	<u>—</u>	<u>—</u>	<u>(1,055)</u>
<b>INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX</b>					
	<u>—</u>	<u>—</u>	<u>(440)</u>	<u>—</u>	<u>(440)</u>
NET INCOME (LOSS)	<u>\$ (1,376)</u>	<u>\$ 321</u>	<u>\$ (440)</u>	<u>\$ —</u>	<u>\$ (1,495)</u>
NON-GAAP NET INCOME (LOSS)	<u>\$ (1,114)</u>	<u>\$ 321</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (793)</u>
<b>EBITDA</b>					
	<u>\$ (4)</u>	<u>\$ 817</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 813</u>
ADJUSTED EBITDA	<u>\$ 258</u>	<u>\$ 817</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,075</u>

A reconciliation of NET INCOME (LOSS) to EBITDA and ADJUSTED EBITDA follows:

NET INCOME (LOSS)	\$ (1,376)	\$ 321	\$ (440)	\$ —	(1,495)
(Income) loss from discontinued operations, net of tax	—	—	440	—	440
Income tax expense (benefit)	(142)	196	—	—	54
Interest expense (income)	(59)	293	—	—	234
Depreciation and amortization	1,573	7	—	—	1,580
EBITDA	\$ (4)	\$ 817	\$ —	\$ —	\$ 813
Stock-based compensation	262	—	—	—	262
ADJUSTED EBITDA	<u>\$ 258</u>	<u>\$ 817</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,075</u>

A reconciliation of NET INCOME (LOSS) to NON-GAAP NET INCOME (LOSS) follows:

NET INCOME (LOSS)	\$ (1,376)	\$ 321	\$ (440)	\$ —	\$ (1,495)
(Income) loss from discontinued operations, net of tax	—	—	440	—	440
Stock-based compensation	262	—	—	—	262
NON-GAAP NET INCOME (LOSS)	<u>\$ (1,114)</u>	<u>\$ 321</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (793)</u>

Note: Business and Retail Connect includes our Supplies Distributors and PFS Retail Connect operations, which operate similar financial models on behalf of our client relationships. PFSweb and PFS Retail Connect include certain ongoing activity formerly reported as eCOST.

**PFSweb, Inc. and Subsidiaries**  
Unaudited Consolidating Statements of Operations  
For the Three Months Ended September 30, 2010  
(In Thousands)

	PFSweb	Business & Retail Connect	eCOST	Eliminations	Consolidated
<b>REVENUES:</b>					
Product revenue, net	\$ —	\$ 39,316	\$ —	\$ —	\$ 39,316
Service fee revenue	16,402	—	—	—	16,402
Service fee revenue — affiliate	1,484	—	—	(1,484)	—
Pass-thru revenue	7,843	—	—	(1)	7,842
Total revenues	<u>25,729</u>	<u>39,316</u>	<u>—</u>	<u>(1,485)</u>	<u>63,560</u>
<b>COSTS OF REVENUES:</b>					
Cost of product revenue	—	36,392	—	—	36,392
Cost of service fee revenue	12,543	—	—	(562)	11,981
Cost of pass-thru revenue	7,843	—	—	(1)	7,842
Total costs of revenues	<u>20,386</u>	<u>36,392</u>	<u>—</u>	<u>(563)</u>	<u>56,215</u>
Gross profit	5,343	2,924	—	(922)	7,345
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b>					
	7,556	1,971	—	(922)	8,605
Income (loss) from operations	(2,213)	953	—	—	(1,260)
<b>INTEREST EXPENSE (INCOME), NET</b>					
	(63)	313	—	—	250
Income (loss) before income taxes	(2,150)	640	—	—	(1,510)
<b>INCOME TAX PROVISION (BENEFIT)</b>					
	(134)	207	—	—	73
<b>INCOME (LOSS) FROM CONTINUING OPERATIONS</b>					
	(2,016)	433	—	—	(1,583)
<b>INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX</b>					
	—	—	(337)	—	(337)
<b>NET INCOME (LOSS)</b>					
	<u>\$ (2,016)</u>	<u>\$ 433</u>	<u>\$ (337)</u>	<u>\$ —</u>	<u>\$ (1,920)</u>
<b>NON-GAAP NET INCOME (LOSS)</b>					
	<u>\$ (1,141)</u>	<u>\$ 433</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (708)</u>
<b>EBITDA</b>					
	<u>\$ (761)</u>	<u>\$ 960</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 199</u>
<b>ADJUSTED EBITDA</b>					
	<u>\$ 114</u>	<u>\$ 960</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,074</u>

A reconciliation of NET INCOME (LOSS) to EBITDA and ADJUSTED EBITDA follows:

NET INCOME (LOSS)	\$ (2,016)	\$ 433	\$ (337)	\$ —	(1,920)
(Income) loss from discontinued operations, net of tax	—	—	337	—	337
Income tax expense (benefit)	(134)	207	—	—	73
Interest expense (income)	(63)	313	—	—	250
Depreciation and amortization	1,452	7	—	—	1,459
EBITDA	\$ (761)	\$ 960	\$ —	\$ —	\$ 199
Stock-based compensation	225	—	—	—	225
Executive disability benefit	650	—	—	—	650
ADJUSTED EBITDA	<u>\$ 114</u>	<u>\$ 960</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,074</u>

A reconciliation of NET INCOME (LOSS) to NON-GAAP NET INCOME (LOSS) follows:

NET INCOME (LOSS)	\$ (2,016)	\$ 433	\$ (337)	\$ —	\$ (1,920)
(Income) loss from discontinued operations, net of tax	—	—	337	—	337
Stock-based compensation	225	—	—	—	225
Executive disability benefit	650	—	—	—	650
NON-GAAP NET INCOME (LOSS)	<u>\$ (1,141)</u>	<u>\$ 433</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (708)</u>

Note: Business and Retail Connect includes our Supplies Distributors and PFS Retail Connect operations, which operate similar financial models on behalf of our client relationships. PFSweb and PFS Retail Connect include certain ongoing activity formerly reported as eCOST.

**PFSweb, Inc. and Subsidiaries**  
Unaudited Consolidating Statements of Operations  
For the Three Months Ended December 31, 2010  
(In Thousands)

	PFSweb	Business & Retail Connect	eCOST	Eliminations	Consolidated
<b>REVENUES:</b>					
Product revenue, net	\$ —	\$ 46,021	\$ —	\$ —	\$ 46,021
Service fee revenue	21,688	—	—	—	21,688
Service fee revenue — affiliate	1,701	—	—	(1,701)	—
Pass-thru revenue	8,612	—	—	(7)	8,605
Total revenues	<u>32,001</u>	<u>46,021</u>	<u>—</u>	<u>(1,708)</u>	<u>76,314</u>
<b>COSTS OF REVENUES:</b>					
Cost of product revenue	—	43,108	—	—	43,108
Cost of service fee revenue	16,328	—	—	(606)	15,722
Cost of pass-thru revenue	8,612	—	—	(7)	8,605
Total costs of revenues	<u>24,940</u>	<u>43,108</u>	<u>—</u>	<u>(613)</u>	<u>67,435</u>
Gross profit	7,061	2,913	—	(1,095)	8,879
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b>					
	6,893	2,222	—	(1,095)	8,020
Income (loss) from operations	168	691	—	—	859
<b>INTEREST EXPENSE (INCOME), NET</b>	<u>(79)</u>	<u>281</u>	<u>—</u>	<u>—</u>	<u>202</u>
Income (loss) before income taxes	247	410	—	—	657
<b>INCOME TAX PROVISION (BENEFIT)</b>	<u>51</u>	<u>159</u>	<u>—</u>	<u>—</u>	<u>210</u>
<b>INCOME (LOSS) FROM CONTINUING OPERATIONS</b>	<u>196</u>	<u>251</u>	<u>—</u>	<u>—</u>	<u>447</u>
<b>INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX</b>	<u>—</u>	<u>—</u>	<u>(3,192)</u>	<u>—</u>	<u>(3,192)</u>
<b>NET INCOME (LOSS)</b>	<u>\$ 196</u>	<u>\$ 251</u>	<u>\$ (3,192)</u>	<u>\$ —</u>	<u>\$ (2,745)</u>
<b>NON-GAAP NET INCOME (LOSS)</b>	<u>\$ 422</u>	<u>\$ 251</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 673</u>
<b>EBITDA</b>	<u>\$ 1,628</u>	<u>\$ 698</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,326</u>
<b>ADJUSTED EBITDA</b>	<u>\$ 1,854</u>	<u>\$ 698</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,552</u>

A reconciliation of NET INCOME (LOSS) to EBITDA and ADJUSTED EBITDA follows:

<b>NET INCOME (LOSS)</b>	\$ 196	\$ 251	\$ (3,192)	\$ —	(2,745)
(Income) loss from discontinued operations, net of tax	—	—	3,192	—	3,192
Income tax expense (benefit)	51	159	—	—	210
Interest expense (income)	(79)	281	—	—	202
Depreciation and amortization	1,460	7	—	—	1,467
<b>EBITDA</b>	<u>\$ 1,628</u>	<u>\$ 698</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,326</u>
Stock-based compensation	226	—	—	—	226
<b>ADJUSTED EBITDA</b>	<u>\$ 1,854</u>	<u>\$ 698</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,552</u>

A reconciliation of NET INCOME (LOSS) to NON-GAAP NET INCOME (LOSS) follows:

<b>NET INCOME (LOSS)</b>	\$ 196	\$ 251	\$ (3,192)	\$ —	\$ (2,745)
(Income) loss from discontinued operations, net of tax	—	—	3,192	—	3,192
Stock-based compensation	226	—	—	—	226
<b>NON-GAAP NET INCOME (LOSS)</b>	<u>\$ 422</u>	<u>\$ 251</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 673</u>

Note: Business and Retail Connect includes our Supplies Distributors and PFS Retail Connect operations, which operate similar financial models on behalf of our client relationships. PFSweb and PFS Retail Connect include certain ongoing activity formerly reported as eCOST.

**PFSweb, Inc. and Subsidiaries**  
Unaudited Consolidating Statements of Operations  
For the Twelve Months Ended December 31, 2010  
(In Thousands)

	PFSweb	Business & Retail Connect	eCOST	Eliminations	Consolidated
<b>REVENUES:</b>					
Product revenue, net	\$ —	\$ 174,613	\$ —	\$ —	\$ 174,613
Service fee revenue	70,636	—	—	—	70,636
Service fee revenue — affiliate	6,622	—	—	(6,622)	—
Pass-thru revenue	29,294	—	—	(27)	29,267
Total revenues	<u>106,552</u>	<u>174,613</u>	<u>—</u>	<u>(6,649)</u>	<u>274,516</u>
<b>COSTS OF REVENUES:</b>					
Cost of product revenue	—	162,485	—	—	162,485
Cost of service fee revenue	53,543	—	—	(2,399)	51,144
Cost of pass-thru revenue	29,294	—	—	(27)	29,267
Total costs of revenues	<u>82,837</u>	<u>162,485</u>	<u>—</u>	<u>(2,426)</u>	<u>242,896</u>
Gross profit	23,715	12,128	—	(4,223)	31,620
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b>					
	29,158	8,676	—	(4,223)	33,611
Income (loss) from operations	(5,443)	3,452	—	—	(1,991)
<b>INTEREST EXPENSE (INCOME), NET</b>					
	(257)	1,197	—	—	940
Income (loss) before income taxes	(5,186)	2,255	—	—	(2,931)
<b>INCOME TAX PROVISION (BENEFIT)</b>					
	(355)	818	—	—	463
<b>INCOME (LOSS) FROM CONTINUING OPERATIONS</b>					
	(4,831)	1,437	—	—	(3,394)
<b>INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX</b>					
	—	—	(3,975)	—	(3,975)
NET INCOME (LOSS)	<u>\$ (4,831)</u>	<u>\$ 1,437</u>	<u>\$ (3,975)</u>	<u>\$ —</u>	<u>\$ (7,369)</u>
NON-GAAP NET INCOME (LOSS)	<u>\$ (3,372)</u>	<u>\$ 1,437</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (1,935)</u>
<b>EBITDA</b>					
	<u>\$ 589</u>	<u>\$ 3,480</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 4,069</u>
ADJUSTED EBITDA	<u>\$ 2,048</u>	<u>\$ 3,480</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 5,528</u>

A reconciliation of NET INCOME (LOSS) to EBITDA and ADJUSTED EBITDA follows:

NET INCOME (LOSS)	\$ (4,831)	\$ 1,437	\$ (3,975)	\$ —	\$ (7,369)
(Income) loss from discontinued operations, net of tax	—	—	3,975	—	3,975
Income tax expense (benefit)	(355)	818	—	—	463
Interest expense (income)	(257)	1,197	—	—	940
Depreciation and amortization	6,032	28	—	—	6,060
EBITDA	<u>\$ 589</u>	<u>\$ 3,480</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 4,069</u>
Stock-based compensation	809	—	—	—	809
Executive disability benefits	650	—	—	—	650
ADJUSTED EBITDA	<u>\$ 2,048</u>	<u>\$ 3,480</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 5,528</u>

A reconciliation of NET INCOME (LOSS) to NON-GAAP NET INCOME (LOSS) follows:

NET INCOME (LOSS)	\$ (4,831)	\$ 1,437	\$ (3,975)	\$ —	\$ (7,369)
(Income) loss from discontinued operations, net of tax	—	—	3,975	—	3,975
Stock-based compensation	809	—	—	—	809
Executive disability benefits	650	—	—	—	650
NON-GAAP NET INCOME (LOSS)	<u>\$ (3,372)</u>	<u>\$ 1,437</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (1,935)</u>

Note: Business and Retail Connect includes our Supplies Distributors and PFS Retail Connect operations, which operate similar financial models on behalf of our client relationships. PFSweb and PFS Retail Connect include certain ongoing activity formerly reported as eCOST.

**PFSweb, Inc. and Subsidiaries**  
Unaudited Condensed Consolidating Balance Sheets  
as of December 31, 2010  
(In Thousands)

	<u>PFSweb</u>	<u>Supplies Distributors</u>	<u>eCOST</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>ASSETS</b>					
<b>CURRENT ASSETS:</b>					
Cash and cash equivalents	\$ 13,471	\$ 3,110	\$ 1,849	\$ —	\$ 18,430
Restricted cash	777	884	192	—	1,853
Accounts receivable, net	21,234	19,524	987	(307)	41,438
Inventories, net	—	35,161	—	—	35,161
Assets of discontinued operations	—	—	2,776	—	2,776
Other receivables	—	13,822	717	—	14,539
Prepaid expenses and other current assets	2,006	1,469	105	—	3,580
Total current assets	<u>37,488</u>	<u>73,970</u>	<u>6,626</u>	<u>(307)</u>	<u>117,777</u>
PROPERTY AND EQUIPMENT, net	8,861	22	95	—	8,978
RECEIVABLE/INVESTMENT IN AFFILIATES	14,255	—	—	(14,255)	—
ASSETS OF DISCONTINUED OPERATIONS	—	—	1,272	—	1,272
OTHER ASSETS	2,013	—	190	—	2,203
Total assets	<u>62,617</u>	<u>73,992</u>	<u>8,183</u>	<u>(14,562)</u>	<u>130,230</u>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>					
<b>CURRENT LIABILITIES:</b>					
Current portion of long-term debt and capital lease obligations	\$ 8,332	\$ 9,953	\$ 35	\$ —	\$ 18,320
Trade accounts payable	6,356	44,896	4,747	(307)	55,692
Accrued expenses	12,994	6,260	1,870	—	21,124
Total current liabilities	<u>27,682</u>	<u>61,109</u>	<u>6,652</u>	<u>(307)</u>	<u>95,136</u>
<b>LONG-TERM DEBT AND CAPITAL LEASE</b>					
OBLIGATIONS, less current portion	2,031	—	105	—	2,136
PAYABLE TO AFFILIATES	—	4,255	18,490	(22,745)	—
OTHER LIABILITIES	3,608	—	—	—	3,608
Total liabilities	<u>33,321</u>	<u>65,364</u>	<u>25,247</u>	<u>(23,052)</u>	<u>100,880</u>
<b>COMMITMENTS AND CONTINGENCIES</b>					
<b>SHAREHOLDERS' EQUITY:</b>					
Common stock	12	—	19	(19)	12
Capital contributions	—	1,000	—	(1,000)	—
Additional paid-in capital	101,229	—	28,059	(28,059)	101,229
Retained earnings (accumulated deficit)	(73,387)	5,410	(45,148)	39,793	(73,332)
Accumulated other comprehensive income	1,527	2,218	6	(2,225)	1,526
Treasury stock	(85)	—	—	—	(85)
Total shareholders' equity	<u>29,296</u>	<u>8,628</u>	<u>(17,064)</u>	<u>8,490</u>	<u>29,350</u>
Total liabilities and shareholders' equity	<u>\$ 62,617</u>	<u>\$ 73,992</u>	<u>\$ 8,183</u>	<u>\$ (14,562)</u>	<u>\$ 130,230</u>



**PFSweb, Inc. and Subsidiaries**  
Unaudited Consolidating Statements of Operations  
For the Three Months Ended December 31, 2009  
(In Thousands)

	PFSweb	Business & Retail Connect	eCOST	Eliminations	Consolidated
<b>REVENUES:</b>					
Product revenue, net	\$ —	\$ 47,288	\$ —	\$ —	\$ 47,288
Service fee revenue	16,015	—	—	—	16,015
Service fee revenue — affiliate	1,700	—	—	(1,700)	—
Pass-thru revenue	9,520	—	—	(3)	9,517
Total revenues	<u>27,235</u>	<u>47,288</u>	<u>—</u>	<u>(1,703)</u>	<u>72,820</u>
<b>COSTS OF REVENUES:</b>					
Cost of product revenue	—	44,048	—	—	44,048
Cost of service fee revenue	12,143	—	—	(651)	11,492
Cost of pass-thru revenue	9,520	—	—	(3)	9,517
Total costs of revenues	<u>21,663</u>	<u>44,048</u>	<u>—</u>	<u>(654)</u>	<u>65,057</u>
Gross profit	5,572	3,240	—	(1,049)	7,763
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b>					
	7,459	2,434	—	(1,049)	8,844
Income (loss) from operations	(1,887)	806	—	—	(1,081)
<b>INTEREST EXPENSE (INCOME), NET</b>					
	(68)	301	—	—	233
Income (loss) before income taxes	(1,819)	505	—	—	(1,314)
<b>INCOME TAX PROVISION (BENEFIT)</b>					
	(122)	182	—	—	60
<b>INCOME (LOSS) FROM CONTINUING OPERATIONS</b>					
	(1,697)	323	—	—	(1,374)
<b>INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX</b>					
	—	—	427	—	427
<b>NET INCOME (LOSS)</b>					
	<u>\$ (1,697)</u>	<u>\$ 323</u>	<u>\$ 427</u>	<u>\$ —</u>	<u>\$ (947)</u>
<b>NON-GAAP NET INCOME (LOSS)</b>					
	<u>\$ (1,599)</u>	<u>\$ 323</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (1,276)</u>
<b>EBITDA</b>					
	<u>\$ (318)</u>	<u>\$ 815</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 497</u>
<b>ADJUSTED EBITDA</b>					
	<u>\$ (220)</u>	<u>\$ 815</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 595</u>

A reconciliation of NET INCOME (LOSS) to EBITDA and ADJUSTED EBITDA follows:

<b>NET INCOME (LOSS)</b>					
	\$ (1,697)	\$ 323	\$ 427	\$ —	\$ (947)
(Income) loss from discontinued operations, net of tax	—	—	(427)	—	(427)
Income tax expense (benefit)	(122)	182	—	—	60
Interest expense (income)	(68)	301	—	—	233
Depreciation and amortization	1,569	9	—	—	1,578
<b>EBITDA</b>					
	\$ (318)	\$ 815	\$ —	\$ —	\$ 497
Stock-based compensation	98	—	—	—	98
<b>ADJUSTED EBITDA</b>					
	<u>\$ (220)</u>	<u>\$ 815</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 595</u>

A reconciliation of NET INCOME (LOSS) to NON-GAAP NET INCOME (LOSS) follows:

<b>NET INCOME (LOSS)</b>					
	\$ (1,697)	\$ 323	\$ 427	\$ —	\$ (947)
(Income) loss from discontinued operations, net of tax	—	—	(427)	—	(427)
Stock-based compensation	98	—	—	—	98
<b>NON-GAAP NET INCOME (LOSS)</b>					
	<u>\$ (1,599)</u>	<u>\$ 323</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (1,276)</u>

Note: Business and Retail Connect includes our Supplies Distributors and PFS Retail Connect operations, which operate similar financial models on behalf of our client relationships. PFSweb includes certain ongoing activity formerly reported as eCOST.

**PFSweb, Inc. and Subsidiaries**  
Unaudited Consolidating Statements of Operations  
For the Twelve Months Ended December 31, 2009  
(In Thousands)

	PFSweb	Business & Retail Connect	eCOST	Eliminations	Consolidated
<b>REVENUES:</b>					
Product revenue, net	\$ —	\$ 183,008	\$ —	\$ —	\$ 183,008
Service fee revenue	58,619	—	—	—	58,619
Service fee revenue — affiliate	7,093	—	—	(7,093)	—
Pass-thru revenue	26,335	—	—	(70)	26,265
Total revenues	<u>92,047</u>	<u>183,008</u>	<u>—</u>	<u>(7,163)</u>	<u>267,892</u>
<b>COSTS OF REVENUES:</b>					
Cost of product revenue	—	168,864	—	—	168,864
Cost of service fee revenue	44,453	—	—	(2,555)	41,898
Cost of pass-thru revenue	26,335	—	—	(70)	26,265
Total costs of revenues	<u>70,788</u>	<u>168,864</u>	<u>—</u>	<u>(2,625)</u>	<u>237,027</u>
Gross profit	21,259	14,144	—	(4,538)	30,865
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b>					
	<u>30,029</u>	<u>8,779</u>	<u>—</u>	<u>(4,538)</u>	<u>34,270</u>
Income (loss) from operations	(8,770)	5,365	—	—	(3,405)
<b>INTEREST EXPENSE (INCOME), NET</b>	<u>(202)</u>	<u>1,388</u>	<u>—</u>	<u>—</u>	<u>1,186</u>
Income (loss) before income taxes	(8,568)	3,977	—	—	(4,591)
<b>INCOME TAX PROVISION (BENEFIT)</b>	<u>(734)</u>	<u>1,055</u>	<u>—</u>	<u>—</u>	<u>321</u>
<b>INCOME (LOSS) FROM CONTINUING OPERATIONS</b>	<u>(7,834)</u>	<u>2,922</u>	<u>—</u>	<u>—</u>	<u>(4,912)</u>
<b>INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX</b>	<u>—</u>	<u>—</u>	<u>342</u>	<u>—</u>	<u>342</u>
<b>NET INCOME (LOSS)</b>	<u>\$ (7,834)</u>	<u>\$ 2,922</u>	<u>\$ 342</u>	<u>\$ —</u>	<u>\$ (4,570)</u>
<b>NON-GAAP NET INCOME (LOSS)</b>	<u>\$ (7,427)</u>	<u>\$ 2,922</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (4,505)</u>
<b>EBITDA</b>	<u>\$ (2,261)</u>	<u>\$ 5,400</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,139</u>
<b>ADJUSTED EBITDA</b>	<u>\$ (1,854)</u>	<u>\$ 5,400</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,546</u>

A reconciliation of NET INCOME (LOSS) to EBITDA and ADJUSTED EBITDA follows:

<b>NET INCOME (LOSS)</b>	\$ (7,834)	\$ 2,922	\$ 342	\$ —	\$ (4,570)
(Income) loss from discontinued operations, net of tax	—	—	(342)	—	(342)
Income tax expense (benefit)	(734)	1,055	—	—	321
Interest expense (income)	(202)	1,388	—	—	1,186
Depreciation and amortization	6,509	35	—	—	6,544
<b>EBITDA</b>	<u>\$ (2,261)</u>	<u>\$ 5,400</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,139</u>
Stock-based compensation	407	—	—	—	407
<b>ADJUSTED EBITDA</b>	<u>\$ (1,854)</u>	<u>\$ 5,400</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,546</u>

A reconciliation of NET INCOME (LOSS) to NON-GAAP NET INCOME (LOSS) follows:

<b>NET INCOME (LOSS)</b>	\$ (7,834)	\$ 2,922	\$ 342	\$ —	\$ (4,570)
(Income) loss from discontinued operations, net of tax	—	—	(342)	—	(342)
Stock-based compensation	407	—	—	—	407
<b>NON-GAAP NET INCOME (LOSS)</b>	<u>\$ (7,427)</u>	<u>\$ 2,922</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (4,505)</u>

Note: Business and Retail Connect includes our Supplies Distributors and PFS Retail Connect operations, which operate similar financial models on behalf of our client relationships. PFSweb includes certain ongoing activity formerly reported as eCOST.

**PFSweb, Inc. and Subsidiaries**  
 Unaudited Condensed Consolidating Balance Sheets  
 as of December 31, 2009  
 (In Thousands)

	<u>PFSweb</u>	<u>Supplies Distributors</u>	<u>eCOST</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>ASSETS</b>					
<b>CURRENT ASSETS:</b>					
Cash and cash equivalents	\$ 9,698	\$ 2,628	\$ 2,486	\$ —	\$ 14,812
Restricted cash	732	1,137	227	—	2,096
Accounts receivable, net	19,499	18,764	1,719	(121)	39,861
Inventories, net	—	33,577	—	—	33,577
Assets of discontinued operations	—	—	4,372	—	4,372
Other receivables	49	11,556	—	—	11,605
Prepaid expenses and other current assets	2,515	1,575	80	—	4,170
Total current assets	<u>32,493</u>	<u>69,237</u>	<u>8,884</u>	<u>(121)</u>	<u>110,493</u>
PROPERTY AND EQUIPMENT, net	9,900	54	31	—	9,985
RECEIVABLE/INVESTMENT IN AFFILIATES	20,696	—	—	(20,696)	—
ASSETS OF DISCONTINUED OPERATIONS	—	—	4,353	—	4,353
OTHER ASSETS	2,627	—	311	—	2,938
Total assets	<u>65,716</u>	<u>69,291</u>	<u>13,579</u>	<u>(20,817)</u>	<u>127,769</u>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>					
<b>CURRENT LIABILITIES:</b>					
Current portion of long-term debt and capital lease obligations	\$ 8,770	\$ 10,374	\$ 35	\$ —	\$ 19,179
Trade accounts payable	8,396	38,753	6,614	(121)	53,642
Accrued expenses	10,994	4,701	2,649	—	18,344
Total current liabilities	<u>28,160</u>	<u>53,828</u>	<u>9,298</u>	<u>(121)</u>	<u>91,165</u>
<b>LONG-TERM DEBT AND CAPITAL LEASE</b>					
OBLIGATIONS, less current portion	3,208	—	140	—	3,348
PAYABLE TO AFFILIATES	—	5,005	15,840	(20,845)	—
OTHER LIABILITIES	3,880	—	23	—	3,903
Total liabilities	<u>35,248</u>	<u>58,833</u>	<u>25,301</u>	<u>(20,966)</u>	<u>98,416</u>
<b>COMMITMENTS AND CONTINGENCIES</b>					
<b>SHAREHOLDERS' EQUITY:</b>					
Common stock	10	—	19	(19)	10
Capital contributions	—	1,000	—	(1,000)	—
Additional paid-in capital	93,152	—	28,059	(28,059)	93,152
Retained earnings (accumulated deficit)	(64,828)	6,781	(39,805)	31,889	(65,963)
Accumulated other comprehensive income	2,219	2,677	5	(2,662)	2,239
Treasury stock	(85)	—	—	—	(85)
Total shareholders' equity	<u>30,468</u>	<u>10,458</u>	<u>(11,722)</u>	<u>149</u>	<u>29,353</u>
Total liabilities and shareholders' equity	<u>\$ 65,716</u>	<u>\$ 69,291</u>	<u>\$ 13,579</u>	<u>\$ (20,817)</u>	<u>\$ 127,769</u>

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