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 September 30, 2017

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	**75-2837058**
(State of Incorporation)	**(I.R.S. Employer I.D. No.)**
505 Millennium Drive, Allen, Texas	**75013**
(Address of principal executive offices)	**(Zip Code)**

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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	☐	Accelerated filer	☒
Non-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 ☒

At November 6, 2017 there were 19,020,005 shares of registrant's common stock outstanding.

PFSWEB, INC. AND SUBSIDIARIES

Form 10-Q
September 30, 2017

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

PFSWEB, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Share Data)

	(Unaudited) September 30, 2017	December 31, 2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 12,769	$ 24,425
Restricted cash	215	215
Accounts receivable, net of allowance for doubtful accounts of $642 and $494 at September 30, 2017 and December 31, 2016, respectively	56,541	80,223
Inventories, net of reserves of $421 and $568 at September 30, 2017 and December 31, 2016, respectively	5,183	6,632
Other receivables	5,272	6,750
Prepaid expenses and other current assets	4,930	7,299
Total current assets	84,910	125,544
PROPERTY AND EQUIPMENT, net	26,097	30,264
IDENTIFIABLE INTANGIBLES, net	4,410	6,864
GOODWILL	46,210	46,210
OTHER ASSETS	3,733	2,454
Total assets	$ 165,360	$ 211,336
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt and capital lease obligations	$ 6,648	$ 7,300
Trade accounts payable	28,236	59,752
Deferred revenue	5,537	7,156
Performance-based contingent payments	3,934	2,405
Accrued expenses	26,427	30,360
Total current liabilities	70,782	106,973
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, less current portion	44,535	52,399
DEFERRED REVENUE, less current portion	4,555	4,127
DEFERRED RENT	5,654	4,810
PERFORMANCE-BASED CONTINGENT PAYMENTS, less current portion	—	1,678
OTHER LIABILITIES	2,547	1,066
Total liabilities	128,073	171,053
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Preferred stock, $1.00 par value; 1,000,000 shares authorized; none issued or outstanding	—	—
Common stock, $0.001 par value; 35,000,000 shares authorized; 19,053,472 and 18,768,567 shares issued at September 30, 2017 and December 31, 2016, respectively; and 19,020,005 and 18,735,100 outstanding at September 30, 2017 and December 31, 2016, respectively	19	19
Additional paid-in capital	149,805	146,286
Accumulated deficit	(112,867)	(105,317)
Accumulated other comprehensive income (loss)	455	(580)
Treasury stock at cost, 33,467 shares	(125)	(125)
Total shareholders' equity	37,287	40,283
Total liabilities and shareholders' equity	$ 165,360	$ 211,336

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

PFSWEB, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In Thousands, Except Per Share Data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
REVENUES:				
Service fee revenue	$ 54,490	$ 53,788	$ 166,455	$ 154,271
Product revenue, net	9,616	11,671	30,881	36,658
Pass-through revenue	13,212	14,451	36,816	41,259
Total revenues	77,318	79,910	234,152	232,188
COSTS OF REVENUES:				
Cost of service fee revenue	35,719	36,903	111,280	103,547
Cost of product revenue	8,991	10,994	29,221	34,649
Cost of pass-through revenue	13,212	14,451	36,816	41,259
Total costs of revenues	57,922	62,348	177,317	179,455
Gross profit	19,396	17,562	56,835	52,733
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES, including stock based compensation of $783 and $347 for the three months ended September 30, 2017 and 2016, respectively and $2,544 and $1,743 for the nine months ended September 30, 2017 and 2016, respectively	18,229	17,568	60,682	53,926
Income (loss) from operations	1,167	(6)	(3,847)	(1,193)
INTEREST EXPENSE, net	778	714	2,125	1,807
Income (loss) from operations before income taxes	389	(720)	(5,972)	(3,000)
INCOME TAX EXPENSE, net	487	319	1,578	973
NET LOSS	$ (98)	$ (1,039)	$ (7,550)	$ (3,973)
NET LOSS PER SHARE:				
Basic	$ (0.01)	$ (0.06)	$ (0.40)	$ (0.21)
Diluted	$ (0.01)	$ (0.06)	$ (0.40)	$ (0.21)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:				
Basic	18,995	18,699	18,868	18,552
Diluted	18,995	18,699	18,868	18,552
COMPREHENSIVE INCOME (LOSS):				
Net loss	$ (98)	$ (1,039)	$ (7,550)	$ (3,973)
Foreign currency translation adjustment	228	680	1,035	976
TOTAL COMPREHENSIVE INCOME (LOSS)	$ 130	$ (359)	$ (6,515)	$ (2,997)

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)

	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (7,550)	$ (3,973)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	11,096	11,206
Amortization of debt issuance costs	112	109
Provision for doubtful accounts	160	16
Provision for excess and obsolete inventory	—	21
Deferred income taxes	409	57
Stock-based compensation expense	2,544	1,743
Change in performance-based contingent payments	2,209	(2,638)
Changes in operating assets and liabilities:		
Accounts receivable	25,220	7,651
Inventories	1,463	2,106
Prepaid expenses, other receivables and other assets	3,752	4,843
Deferred rent	187	906
Accounts payable, deferred revenue, accrued expenses and other liabilities	(38,106)	(24,412)
Net cash provided by (used in) operating activities	1,496	(2,365)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(3,965)	(7,532)
Acquisitions, net of cash acquired	—	(8,320)
Net cash used in investing activities	(3,965)	(15,852)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from issuance of common stock	877	1,073
Taxes paid on behalf of employees for withheld shares	(256)	(1,307)
Decrease in restricted cash	—	56
Payments on performance-based contingent payments	(2,004)	(9,454)
Payments on capital lease obligations	(2,425)	(2,210)
Payments on debt, net	(324)	(384)
Borrowings (payments) on term loan	(1,688)	20,000
Borrowings on revolver	62,849	61,906
Payments on revolver	(68,173)	(58,188)
Net cash provided by (used in) financing activities	(11,144)	11,492
EFFECT OF EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	1,957	643
NET DECREASE IN CASH AND CASH EQUIVALENTS	(11,656)	(6,082)
CASH AND CASH EQUIVALENTS, beginning of period	24,425	21,781
CASH AND CASH EQUIVALENTS, end of period	$ 12,769	$ 15,699
SUPPLEMENTAL CASH FLOW INFORMATION		
Non-cash investing and financing activities:		
Property and equipment acquired under long-term debt and capital leases	$ 270	$ 3,890
Performance-based contingent payments through stock issuance	$ 354	$ 2,238

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

1. *OVERVIEW AND BASIS OF PRESENTATION*

PFSweb, Inc. and its subsidiaries are collectively referred to as the "Company"; "Supplies Distributors" collectively refers to Supplies Distributors, Inc. and its subsidiaries; "Retail Connect" refers to PFSweb Retail Connect, Inc.; "REV" collectively refers to REV Solutions, Inc. and REVTECH Solutions India Private Limited; "LAL" refers to LiveAreaLabs, Inc.; "Moda" refers to Moda Superbe Limited; "CrossView" refers to CrossView, Inc.; "Conexus" refers to Conexus Limited; and "PFSweb" refers to PFSweb, Inc. and its subsidiaries, excluding Supplies Distributors and Retail Connect.

PFSweb Overview

PFSweb is a global provider of omni-channel commerce solutions, including a broad range of technology, infrastructure and professional services, to major brand name companies and others seeking to optimize their supply chain and to enhance their online and traditional business channels and initiatives in the United States, Canada, and Europe. PFSweb's service offerings include website design, creation and integration, digital agency and marketing, eCommerce technologies, order management, customer care, logistics and fulfillment, financial management and professional consulting.

Supplies Distributors Overview

Supplies Distributors and PFSweb operate under distributor agreements with Ricoh Company Limited and Ricoh USA Inc., a strategic business unit within the Ricoh Family Group of Companies (collectively hereafter referred to as "Ricoh"), under which Supplies Distributors acts as a distributor of various Ricoh products. The majority of Supplies Distributors' revenue is generated by its sale of product purchased from Ricoh. Supplies Distributors has obtained financing (see Note 7) to fund certain working capital requirements for the sale of primarily Ricoh products. Supplies Distributors sells its products in the United States, Canada and Europe.

Supplies Distributors also maintains agreements with certain additional clients where it operates as an agent for the resale of product between the client and the customer, and records product revenue net of cost of product revenue as a component of service fee revenue. Pursuant to agreements between PFSweb and Supplies Distributors, PFSweb provides transaction management and fulfillment services to Supplies Distributors.

Basis of Presentation

The interim condensed consolidated financial statements as of September 30, 2017, and for the three and nine months ended September 30, 2017 and 2016, have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and are unaudited. Certain information and disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") have been condensed or omitted pursuant to the rules and regulations promulgated by the SEC. In the opinion of management and subject to the foregoing, the unaudited interim condensed consolidated financial statements of the Company include all adjustments necessary for a fair presentation of the Company's financial position as of September 30, 2017, its results of operations for the three and nine months ended September 30, 2017 and 2016 and its cash flows for the nine months ended September 30, 2017 and 2016. Results of the Company's operations for interim periods may not be indicative of results for the full fiscal year.

2. *SIGNIFICANT ACCOUNTING POLICIES*

Principles of Consolidation

All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of condensed 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 and selling, general and administrative expenses in these 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 on 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 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. These uncertainties are discussed in this report and in the Company's Annual Report on Form 10-K for the year ended December 31, 2016 in the section entitled "Risk Factors." 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 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.

Revenue and Cost Recognition

The Company derives revenue primarily from services provided under contractual arrangements with its clients or from the sale of products under its distributor agreements. The following revenue recognition policies define the manner in which the Company accounts for sales transactions.

The Company recognizes revenue when persuasive evidence that a sales arrangement exists, product shipment or delivery has occurred or services are rendered, the sales price or fee is fixed or determinable, and collectability is reasonably assured.

In instances where revenue is derived from sales of third-party vendor products or services, the Company records revenue on a gross basis when the Company is a principal to the transaction and net of costs when the Company is acting as an agent between the customer or client and the vendor. The Company considers several factors to determine whether it is a principal or an agent, most notably whether the Company is the primary obligor to the vendor or customer, has established its own pricing and has inventory and credit risks, if applicable.

Service Fee Revenue Activity

The Company's service fee revenue primarily relates to its distribution services, order management/customer care services, professional digital agency and technology services. The Company typically charges its service fee revenue on either a cost-plus basis, a percent of shipped revenue basis, on a time and materials, project or retainer basis for professional services, or a per transaction basis, such as a per item basis for fulfillment services or a per labor hour basis for web-enabled customer contact center services. Additional fees are billed for other services.

The Company evaluates its contractual arrangements to determine whether or not they include multiple service elements. Revenue recognition is determined for the separate service elements of the contract in accordance with the requirements of Accounting Standards Codification ("ASC") 605, "*Revenue Recognition*." A deliverable constitutes a separate unit of accounting when it has standalone value and there are no return rights or other contingencies present for the delivered elements. The Company allocates revenue to each element based on estimated selling price. Each of the Company's client contracts, and the related services, is unique, with individual needs and criteria customized for each client. Each client engagement is scoped and priced separately and as such the Company is not able to establish vendor specific objective evidence of fair value for its services, nor is third-party evidence available to establish stand-alone selling prices. Accordingly the Company uses management's best estimate of selling price for the deliverables. The Company establishes its estimates considering internal factors such as margin objectives, pricing practices and controls as well as market conditions such as competitor pricing strategies.

Distribution services relate primarily to inventory management, product receiving, warehousing and fulfillment (i.e., picking, packing and shipping) and facilities and operations management. Service fee revenue for these activities is recognized as earned, which is either (i) on a per transaction basis or (ii) at the time of product fulfillment, which occurs at the completion of the distribution services.

Order management/customer care services relate primarily to taking customer orders for the Company's clients' products. These services also include addressing customer questions related to orders, as well as cross-selling/up-selling activities. Service fee revenue for this activity is recognized as the services are rendered. Fees charged to the client are on a per transaction basis based on either (i) a pre-determined fee per order or fee per telephone minutes incurred, (ii) a per dedicated agent fee, or (iii) are included in the product fulfillment service fees that are recognized on product shipment.

Professional consulting and technology service revenues primarily relate to design, implementation, service and support of eCommerce platforms, website design and solutions and quality control for the Company's clients. Additionally, the Company provides digital agency services that enable client marketing programs to attract new customers, convert buyers and increase website value. These fees are typically charged on either a per labor hour basis, or transaction basis, a dedicated resource model, a fixed price arrangement, or a percent of merchandise shipped basis. Service fee revenue for this activity is generally recognized as the services are rendered.

The Company performs front-end set-up and integration services to support client eCommerce platforms and websites. When the Company determines these front-end set-up and integration services do not meet the criteria for recognition as a separate unit of accounting, the Company defers the start-up fees received and the related costs, and recognizes them over the expected performance period. When the Company determines these front-end set-up and integration services do meet the criteria for recognition as a separate unit of accounting, for time and material arrangements, the Company recognizes revenue as services are rendered and costs as they are incurred. For fixed-price arrangements, the Company uses the completed contract method to recognize revenues and costs if reasonable and reliable cost estimates for a project cannot be made. If reasonable and reliable costs estimates for a project can be made, the Company recognizes revenue over the expected performance period on a proportional performance basis, as determined by the relationship of actual costs incurred compared to the estimated total contract costs.

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

The Company's cost of service fee revenue, representing the cost to provide the services described above, is recognized as incurred. Cost of service fee revenue also includes certain costs associated with technology collaboration and ongoing technology support that include maintenance, web hosting and other ongoing programming activities. These activities are primarily performed to support the distribution and order management/customer care services and are recognized as incurred.

Product Revenue Activity

Depending on the terms of the customer arrangement, Supplies Distributors recognizes product revenue and product cost either upon the shipment of product to customers or when the customer receives the product. Supplies Distributors permits its customers to return product for credit against other purchases, which include returns for defective products (that Supplies Distributors then returns to the manufacturer) and incorrect shipments. Supplies Distributors provides a reserve for estimated returns and allowances and offers terms to its customers that it believes are standard for its industry.

Freight costs billed to customers are reflected as components of product revenue. Freight costs incurred are recorded as a component of cost of product revenue.

Under its distributor agreements, Supplies Distributors bills Ricoh for reimbursements of certain expenses, including: pass-through customer marketing programs, including rebates and co-op funds; certain freight costs; direct costs incurred in passing on any price decreases offered by Ricoh to Supplies Distributors or its customers to cover price protection and certain special bids; the cost of products provided to replace defective product returned by customers; and certain other expenses as defined. Supplies Distributors records these reimbursable amounts as they are incurred as other receivables in the condensed consolidated balance sheet with a corresponding reduction in either inventory or cost of product revenue. Supplies Distributors also records pass-through customer marketing programs as a reduction of both product revenue and cost of product revenue.

Accounts Receivable

The Company recognizes revenue and records trade accounts receivable, pursuant to the methods described above, when collectability is reasonably assured. Collectability is evaluated in the aggregate and on an individual customer or client basis taking into consideration payment due date, historical payment trends, current financial position, results of independent credit evaluations and payment terms. Related reserves are determined by either using percentages applied to certain aged receivable categories based on historical results, reevaluated and adjusted as additional information is received, or a specific identification method. After all attempts to collect a receivable have failed, the receivable is written off against the allowance for doubtful accounts.

Deferred Revenues and Deferred Costs

The Company primarily performs its distribution services and order management customer care services under multiple-year contracts, certain of which include early termination provisions, and clients are obligated to pay for services performed. In conjunction with these long-term contracts, the Company sometimes receives start-up fees to cover its implementation costs, including certain technology infrastructure and development costs. When the Company determines that these start-up and integration activities do not meet the criteria for recognition as a separate unit of accounting, the Company defers the start-up fees received, and the related costs, and recognizes them over the expected performance period. The amortization of deferred revenue is included as a component of service fee revenue. The amortization of deferred implementation costs is included as a cost of service fee revenue. To the extent implementation costs for non-technology infrastructure and development exceed the corresponding fees received, the excess costs are expensed as incurred.

Concentration of Business and Credit Risk

No product customer nor service fee client relationship represented more than 10% of the Company's consolidated total revenues during the nine months ended September 30, 2017. One service fee client relationship represented 10% of the Company's consolidated total revenues during the nine months ended September 30, 2016. No client exceeded 10% of consolidated accounts receivable as of September 30, 2017. Amounts due from one client exceeded 10% of consolidated accounts receivable as of December 31, 2016.

A summary of the nonaffiliated customer and client revenue concentrations as a percentage of product revenue and service fee revenue, respectively, is as follows:

	Nine Months Ended September 30,	
	2017	**2016**
Service Fee Revenue (as a percentage of total Service Fee Revenue):		
Client 1	9%	10%
Product Revenue (as a percentage of total Product Revenue):		
Customer 1	6%	13%
Customer 2	13%	16%
Customer 3	12%	5%

The Company currently anticipates that its product revenue, including the revenue from certain of the customers identified above, will decline during the next twelve months.

The Company has provided certain collateralized guarantees of its subsidiaries' financings and credit arrangements. These subsidiaries' ability to obtain financing on similar terms would be significantly impacted without these guarantees.

The Company has multiple arrangements with International Business Machines Corporation ("IBM") and Ricoh. These arrangements include Supplies Distributors' distributor agreements and certain of Supplies Distributors' working capital financing agreements. The majority of Supplies Distributors' revenue is generated by its sale of product purchased from Ricoh. Supplies Distributors also relies upon Ricoh's sales force and product demand generation activities and the discontinuance of such services would have a material impact upon Supplies Distributors' business. In addition, Supplies Distributors has product sales to IBM and Ricoh business affiliates.

As a result of certain operational restructuring of its business, Ricoh has implemented, and will continue to implement, certain changes in the sale and distribution of Ricoh products. The changes have resulted, and are expected to continue to result, in reduced revenues and profitability for Supplies Distributors.

Operating Leases

The Company leases certain real estate for its warehouse, call center, sales, professional services and corporate offices, as well as certain equipment, under non-cancelable operating leases that expire at various dates through 2026. Management expects that, in the normal course of business, leases that expire will be renewed or replaced by other similar leases. The Company recognizes escalating lease payments on a straight-line basis over the term of each respective lease, and classifies with the difference between cash payments and rent expense recognized as deferred rent in the accompanying condensed consolidated balance sheets.

Property and Equipment

The Company's property and equipment held under capital leases totaled approximately $3.3 million and $5.4 million, net of accumulated amortization of approximately $7.3 million and $5.1 million, at September 30, 2017 and December 31, 2016, respectively. Depreciation and amortization expense related to capital leases during the nine months ended September 30, 2017 and 2016 was $2.3 million and $2.1 million, respectively.

Income Taxes

The Company records a tax provision primarily associated with state income taxes and the majority of its international operations. The Company has recorded a valuation allowance for the majority of its domestic net deferred tax assets, which are primarily related to net operating loss carryforwards and certain foreign deferred tax assets.

Cash Paid for Interest and Taxes

The Company made payments for interest of approximately $1.9 million and $1.1 million in the nine months ended September 30, 2017 and 2016, respectively. Income taxes of approximately $1.0 million and $0.7 million were paid by the Company in the nine months ended September 30, 2017 and 2016, respectively.

Impact of Recently Issued Accounting Standards

<u>Pronouncements Recently Adopted</u>

In March 2016, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2016-09, "*Compensation Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*." The amendment in this ASU affects all organizations that issue share-based payment awards to employees and is intended to simplify several aspects of the accounting for these awards, including income tax consequences, classification of awards as either equity or liabilities, classification on the statement of cash flows, and allowing an accounting policy election to account for forfeitures as they occur. As permitted by ASU 2016-09, the Company elected to early adopt ASU 2016-09 in the quarter ended June 30, 2016 with an effective date of January 1, 2016. As a result of the adoption, the Company recognized previously unrecognized excess tax benefits of $1.9 million, which was offset by a valuation allowance in the same amount as the Company does not believe, on a more-likely-than-not basis, the net operating losses will be realized. The adoption of ASU 2016-09 resulted in a cumulative adjustment to equity, subject to a full valuation allowance, as of January 1, 2016. Additionally, as a result of the adoption, the Company reclassified previous years taxes paid on behalf of employees for withheld shares in the condensed consolidated cash flow statements.

In July 2015, the FASB issued ASU No. 2015-11, "*Simplifying the Measurement of Inventory,*" which modifies existing requirements regarding measuring inventory at the lower of cost or market. Under existing standards, the market amount requires consideration of replacement cost, net realizable value (NRV), and NRV less an approximately normal profit margin. The new ASU replaces market with NRV, defined as estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. This eliminates the need to determine and consider replacement cost or NRV less an approximately normal profit margin when measuring inventory. The Company adopted this standard prospectively effective January 1, 2017, which did not have a material impact on the Company's unaudited condensed consolidated financial statements.

In November 2015, the FASB issued ASU No. 2015-17, "*Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes,*" which simplifies the presentation of deferred income taxes by requiring deferred tax assets and liabilities be classified as noncurrent on the balance sheet. The Company adopted this standard effective January 1, 2017, which did not have a material impact on the unaudited condensed consolidated financial statements.

Pronouncements Not Yet Adopted

In May 2014, the FASB issued ASU No. 2014-09, *"Revenue from Contracts with Customers."* The new guidance outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry specific guidance. The core principle behind ASU No. 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for delivering those goods and services. The standard creates a model that requires companies to exercise judgment when considering the terms of a contract and all relevant facts and circumstances. The new standard requires significantly expanded disclosures about revenue contract assets and liabilities and includes new accounting principles related to the deferral and amortization of contract acquisition and fulfillment costs. The ASU allows two methods of adoption: (a) a full retrospective approach in which the standard is applied to all periods presented, or (b) a modified retrospective approach in which the standard is applied only to the most current period presented in the financial statements. In August 2015, the FASB deferred the effective date of this standards update to fiscal years beginning after December 15, 2017, with early adoption permitted on the original effective date of fiscal years beginning after December 15, 2016. The Company currently anticipates adopting the standard on January 1, 2018 using the modified retrospective method. The Company is assessing the new standard and analyzing the standard's impact on the Company's internal controls, accounting policies and financial statements and disclosures. As the Company is in the process of evaluating the impact of the standard, it has not yet quantified the impact of the adoption. However, based on the initial phase of its evaluation process, the Company has identified certain potential areas of impact. Application of the new standard requires that incremental costs of obtaining a contract (including sales commissions plus any associated fringe benefits) be recognized as an asset and expensed over the expected life of the arrangement, unless that life is less than one year. Currently the Company expenses certain of these contract acquisition costs as incurred. Additionally, the Company is assessing the expanded disclosure requirements of the new standard and whether the principal versus agent considerations would change how it presents certain revenues, primarily pass-through revenues. We are in the process of implementing related changes to our financial reporting processes and related internal controls over financial reporting. We do not expect these changes to result in a material impact to those reporting processes or internal controls. The Company expects to continue its evaluation and implementation processes, which will include the quantification of impact and development of policies, to facilitate adoption during the quarter ended March 31, 2018.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)," which modifies the accounting for leases, intending to increase transparency and comparability of organizations by requiring balance sheet presentation of leased assets and increased financial statement disclosure of leasing arrangements. ASU 2016-02 will require entities to recognize a liability for their lease obligations and a corresponding asset representing the right to use the underlying asset over the lease term. Lease obligations are to be measured at their present value and accounted for using the effective interest method. The accounting for the leased asset will differ slightly depending on whether the agreement is deemed to be a financing or operating lease. For financing leases, the leased asset is depreciated on a straight-line basis and depreciation expense is recorded separately from the interest expense in the statements of operations, resulting in higher expense in the earlier part of the lease term. For operating leases, the depreciation and interest expense components are combined, recognized evenly over the term of the lease, and presented as a reduction to operating income. ASU 2016-02 requires that assets and liabilities be presented or disclosed separately, and requires additional disclosure of certain qualitative and quantitative information related to these lease agreements. ASU 2016-02 is effective for annual and interim periods beginning after December 15, 2018. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is currently assessing the ASU's impact on its consolidated financial statements, but does expect the adoption to have a material impact to the balance sheet through the addition of an ROU asset and corresponding lease liability.

In August 2016, the FASB issued ASU 2016-15, "*Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments - a consensus of the Emerging Issues Task Force"* ("ASU 2016-15"). The new guidance is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. Certain issues addressed in this guidance include - debt payments or debt extinguishment costs, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, distributions received from equity method investments and beneficial interests in securitization transactions. ASU 2016-15 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The Company is currently assessing this ASU's impact on its unaudited condensed consolidated financial statements.

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

In May 2017, the Financial Accounting Standards Board (the "FASB") issued ASU 2017-09, "*Compensation Stock Compensation (Topic 718): Scope of Modification* Accounting" ("ASU 2017-09"). The amendments in this ASU affect any entity that changes the terms or conditions of a share-based payment award. The new guidance is intended to provide clarity and reduce both (1) diversity in practice and (2) cost and complexity when applying the guidance in Topic 718, Compensation—Stock Compensation, to a change to the terms or conditions of a share-based payment award. ASU 2017-09 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The Company is currently assessing this ASU's impact on its unaudited condensed consolidated financial statements.

3. ***ACQUISITIONS***

Acquisitions have been recorded using the purchase method of accounting for business combinations.

Acquisition of Conexus

On June 8, 2016, PFSweb, Inc. acquired the outstanding capital stock of Conexus, an eCommerce system integrator that provides strategic consulting, system integration, and managed services for leading businesses and technology companies from its primary operations in Basingstoke, Hampshire (U.K.). The purchase price for the shares consisted of (i) an initial cash payment of £5,855,000 (approximately $8.5 million at June 8, 2016), subject to a post-closing adjustment based upon a May 31, 2016 balance sheet analysis, and (ii) up to an aggregate maximum of £1,445,000 (approximately $1.8 million at December 31, 2016), subject to Conexus achieving certain operational and financial targets during the post-closing period ending December 31, 2016 (the "Earn-out Payment"), subject to possible offsets for indemnification and other claims arising under the purchase agreement. Conexus did not achieve the operational and financial targets so the Company did not make any payments or record any liability as of September 30, 2017 or December 31, 2016 applicable to the Earn-out Payment.

The transaction was accounted for using the purchase method of accounting for business combinations and, accordingly, the assets acquired and liabilities assumed, including an allocation of purchase price, and the results of operations of Conexus, including the amortization of acquired intangible assets, have been included in the Company's consolidated financial statements since the date of acquisition.

The Company determined fair value using a combination of the discounted cash flow, market multiple and market capitalization valuation methods. The following table summarizes the fair value of the tangible and intangible assets acquired and liabilities assumed (in thousands):

Cash	$	156
Accounts receivable, net		1,451
Other receivables		887
Other assets		421
Identifiable intangibles		2,035
Total assets acquired		4,950
Total liabilities assumed		2,218
Net assets acquired		2,732
Goodwill		6,336
Total purchase price	$	9,068

The purchase price for Conexus was as follows (in thousands):

Aggregate cash payments	$	8,515
Performance-based contingent payments (based on fair value at acquisition date)		553
Total purchase price	$	9,068

The excess of the purchase price over the fair value of the net identifiable assets acquired and liabilities assumed was allocated to goodwill. Total goodwill of $6.3 million, none of which is deductible for tax purposes, is not being amortized but is subject to an annual impairment test using a fair-value-based approach.

The Company is amortizing the identifiable intangible assets acquired using a pattern in which the economic benefit of the assets are expected to be realized by the Company over their estimated remaining useful lives. There are no residual values for any of the intangible assets subject to amortization acquired during the Conexus acquisition.

Definite lived intangible assets acquired in the Conexus acquisition consist of (in thousands):

		September 30, 2017		December 31, 2016		
	Fair Value at Acquisition	Accumulated Amortization	Net Carrying Value	Accumulated Amortization	Net Carrying Value	Estimated Useful Life from Acquisition
Developed technology	$ 727	$ (392)	$ 335	$ (145)	$ 582	2.5 years
Customer relationships	1,308	(853)	455	(461)	847	4.5 years
Total definite lived identifiable intangible assets	$ 2,035	$ (1,245)	$ 790	$ (606)	$ 1,429	

Unaudited pro forma historical results of operations related to the Conexus acquisition have not been presented because they are not material to the Company's condensed consolidated statements of operations.

Acquisition of CrossView

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

Consideration paid by the Company included an initial cash payment of $30.7 million and 553,223 unregistered shares of Company common stock (approximately $6.3 million in value as of the acquisition date). The initial cash payment was subject to adjustment based upon a post-closing balance sheet reconciliation. In addition, the purchase agreement provides for future earn-out payments ("CrossView Earn-out Payments") payable in 2016, 2017 and 2018 based on the achievement of certain 2015, 2016 and 2017 financial targets. The CrossView Earn-out Payments have no guaranteed minimum and an aggregate maximum of $18.0 million and are subject to possible offsets for indemnification and other claims. During 2016, the Company paid an aggregate of $7.9 million in settlement of the 2015 CrossView Earn-out Payment, of which $1.6 million was paid by the issuance of 122,066 restricted shares of Company stock. During 2017, the Company paid an aggregate of $2.4 million in settlement of the 2016 CrossView Earn-out Payment, of which $0.4 million was paid by the issuance of 48,173 restricted shares of Company stock. The Company will pay 15% of any 2017 CrossView Earn-out Payment in restricted shares of Company common stock, based on its current market value at the time of issuance. As of September 30, 2017, the Company had recorded a liability of $3.9 million applicable to the estimated 2017 CrossView Earn-out Payment, which is included in performance-based contingent payments in the condensed consolidated balance sheets. The estimated performance-based contingent payment liability decreased from $4.1 million as of December 31, 2016 as a result of the payment of the 2016 CrossView Earn-out Payment partially offset by an increase in the estimated 2017 CrossView Earn-Out Payment resulting from updated CrossView financial projections for the 2017 earn-out period.

Performance-Based Contingent Payments

The following table presents the change in the acquisition related performance-based contingent payments for the periods presented (in thousands):

	2017	2016
As of January 1,	$ 4,083	$ 14,157
CrossView earn-out payments in common stock and cash	(2,358)	(7,942)
LAL and REV earn-out payments in common stock and cash	—	(3,750)
Value recorded at acquisition - Conexus	—	553
Change in fair value aggregate balances due	2,209	(2,638)
As of September 30,	$ 3,934	$ 380

4. *GOODWILL AND IDENTIFIABLE INTANGIBLES, NET*

Goodwill acquired through acquisitions is recognized as part of the PFSweb segment. The Company determined fair value using a combination of the discounted cash flow, market multiple and market capitalization valuation methods.

The following table presents the gross carrying value and accumulated amortization for identifiable intangibles (in thousands):

		September 30, 2017		
	Fair Value at Acquisition	Accumulated Amortization	Net Carrying Value	Estimated Useful Life from Acquisition
Trade names	$ 1,250	$ (1,103)	$ 147	2.25 - 2.5 years
Non-compete agreements	575	(462)	113	1- 3.5 years
Leasehold	45	(45)	—	2.5 years
Customer relationships	10,287	(6,608)	3,679	1.6 - 9 years
Developed technology	1,577	(1,122)	455	2.5-3 years
Other intangibles	493	(477)	16	9 years
Total definite lived identifiable intangible assets	$ 14,227	$ (9,817)	$ 4,410	

Definite Lived Intangible Asset Amortization

For the three months ended September 30, 2017 and 2016, amortization expense related to acquired definite lived intangible assets was $0.8 million and $1.2 million, respectively, and for the nine months ended September 30, 2017 and 2016 amortization expense was $2.3 million and $2.9 million, respectively, which are included in selling, general and administrative expenses in the unaudited condensed consolidated statements of operations. The estimated amortization expense for each of the next five years is as follows (in thousands):

Remaining 2017	$ 760
2018	1,671
2019	750
2020	521
2021	282
2022	220

5. *NET LOSS PER COMMON SHARE*

Basic and diluted net loss per common share are computed by dividing net loss by the weighted-average number of common shares outstanding for the reporting period.

The following equity awards have been excluded from the calculation of diluted net loss per share as their effect would be anti-dilutive (in thousands):

	As of September 30,	
	2017	2016
Stock options	1,053	1,209
Performance shares	421	273
Restricted stock units	183	-
Deferred stock units	167	104
Total	1,824	1,586

6. *STOCK AND STOCK OPTIONS*

The Company has an Employee Stock and Incentive Plan, as amended and restated (the “Employee Plan”). The Plan provides for the granting of incentive awards to directors, executive management, key employees, and outside consultants of the Company in a variety of forms of equity-based incentive compensation, such as the award of an option, stock appreciation right, restricted stock award, restricted stock unit, deferred stock unit, among other stock-based awards. The Company uses newly issued shares of common stock to satisfy awards under the Plan.

Total stock-based compensation expense was $0.8 million and $0.3 million for the three months ended September 30, 2017 and 2016, respectively, and $2.5 million and $1.7 million for the nine months ended September 30, 2017 and 2016, respectively, which is included as a component of selling, general and administrative expenses in the unaudited condensed consolidated statements of operations.

On March 23, 2015, the Company issued Performance-Based Share Awards (as such terms are defined in the Employee Plan) to the Company's executives and senior management. Under the terms of these 2015 awards, the number of performance shares that each such individual received was subject to, and calculated by reference to, the achievement by the Company of a performance goal measured by a range of targeted financial performance, as defined, for 2015. Based on the Company's 2015 financial results, the Company issued an aggregate of approximately 283,100 Performance Shares ("2015 Performance Shares"). The 2015 Performance Shares are subject to four year annual vesting based upon continued employment and the achievement of a defined annual financial target, and for certain of the performance shares, the comparative performance (on an annual and cumulative basis) of the Company's common stock on NASDAQ compared to the Russell Micro Cap Index. The actual number of shares issued on each annual vesting date could range from zero to 100%, depending on the satisfaction of the vesting criteria. Shares that do not vest on a scheduled vesting date due to a failure to satisfy vesting criteria are forfeited and do not vest in future periods. Based upon achievement of the respective vesting criteria, 70,800 of the 2015 Performance Shares vested as of December 31, 2016. As of September 30, 2017, 113,312 of the 2015 Performance Shares did not vest and were forfeited.

In March 2016, pursuant to the Employee Plan, the Company issued additional Restricted Stock Units and 2016 Performance Share Awards (as such terms are defined in the Employee Plan) to the Company's executive officers and certain senior management under which the number of performance shares to be issued was subject to, and calculated by reference to, the achievement by the Company of a performance goal measured by a range of targeted financial performance, as defined, for 2016 as well as, for certain of the Restricted Stock Units, individual performance goals, as defined. Based on the Company's 2016 financial performance, no performance shares were awarded under the 2016 Restricted Stock Units and 2016 Performance Based Share Awards.

On March 31, 2017, the Company issued Restricted Stock Units and Performance-Based Share Awards (as such terms are defined in the Employee Plan) to the Company's executives and senior management pursuant to which such employees are eligible to receive future grants of shares of the Company's stock subject to various vesting and/or performance criteria, including the achievement by the Company of certain performance goals measured by defined ranges of targeted financial performance for 2017 and/or future years, the achievement of certain defined total stockholder return targets using the companies in the Russell Micro Cap Index as a comparative group for 2017 and/or future years and/or continued employment through one to three year vesting dates. Assuming satisfaction of all vesting conditions and achievement of the highest performance targets, the aggregate maximum number of shares that could be awarded under these 2017 awards is approximately 692,000. Shares that do not vest on a scheduled vesting date due to a failure to satisfy vesting or performance criteria are forfeited and do not vest in future periods.

7. ***INVENTORY FINANCING***

Supplies Distributors has a short-term credit facility with IBM Credit LLC ("IBM Credit") to finance its purchase and distribution of Ricoh products in the United States, providing financing for eligible Ricoh inventory and certain receivables up to $13.0 million. The agreement has no stated maturity date and provides either party the ability to exit the facility following a 90-day notice. Given the structure of this facility and as outstanding balances, which represent inventory purchases, are repaid within twelve months, the Company has classified the outstanding amounts under this facility, which were $6.5 million and $7.3 million as of September 30, 2017 and December 31, 2016, respectively, as accounts payable in the condensed consolidated balance sheets. As of September 30, 2017, Supplies Distributors had $0.1 million of available credit under this facility. The credit facility contains cross default provisions, various restrictions upon the ability of Supplies Distributors to, among other things, merge, consolidate, sell assets, incur indebtedness, make loans and payments to related parties (including entities directly or indirectly owned by PFSweb, Inc.), provide guarantees, make investments and loans, pledge assets, make changes to capital stock ownership structure and pay dividends. The credit facility also contains financial covenants, such as annualized revenue to working capital, net profit after tax to revenue, and total liabilities to tangible net worth, as defined, and is secured by certain of the assets of Supplies Distributors, as well as a collateralized guaranty of PFSweb. Additionally, PFSweb is required to maintain a minimum Subordinated Note receivable balance from Supplies Distributors of $2.5 million. Borrowings under the credit facility accrue interest, after a defined free financing period, at prime rate plus 0.5% (4.75% as of September 30, 2017 and 4.25% as of December 31, 2016). The facility also includes a monthly service fee. As of and for the three and nine months ended September 30, 2017, the Company was in compliance with all financial covenants.

8. *DEBT AND CAPITAL LEASE OBLIGATIONS*

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

	September 30, 2017	December 31, 2016
U.S. Credit Agreement		
Revolver	$ 15,500	$ 20,825
Term loan	27,750	29,438
Equipment loan	4,434	3,596
Debt issuance costs	(415)	(525)
Master lease agreements	3,875	6,277
Other	39	88
Total	51,183	59,699
Less current portion of long-term debt	6,648	7,300
Long-term debt, less current portion	$ 44,535	$ 52,399

U.S. Credit Agreement

In August 2015, PFSweb, Inc. and its U.S. subsidiaries entered into a credit agreement ("Credit Agreement") with Regions Bank, as agent for itself and one or more future lenders including Bank of America N.A. and HSBC Bank USA, National Association (the "Lenders"). Under the Credit Agreement, and subject to the terms set forth therein, the Lenders have agreed to provide PFS with a revolving loan facility for up to $32.5 million and a term loan facility for up to $30 million through August 5, 2020. Subject to the terms of the Credit Agreement, PFS has the ability to increase the total loan facilities to $75 million. Availability under the revolving loan facility may not exceed a borrowing base of eligible accounts receivable (as defined). As of September 30, 2017, the Company had $11.3 million of available credit under the revolving loan facility. Advances under the revolving loan portion of the Credit Agreement are due and payable on August 5, 2020. Term loan advances amortize during the five year term of the Credit Agreement based upon scheduled percentage payments with the then remaining outstanding balance (potentially up to 65% of the amount borrowed) due on August 5, 2020. Borrowings under the Credit Agreement accrue interest at a variable rate based on prime rate or Libor, plus an applicable margin. As of September 30, 2017 and December 31, 2016, the weighted average interest rate on the revolving loan facility was 4.50% and 3.79%, respectively. As of September 30, 2017 and December 31, 2016, the weighted average interest rate on the term loan facility was 3.97% and 2.93%, respectively. In connection with the Credit Agreement, the Company paid $0.7 million of fees, which are being amortized through the life of the Credit Agreement and are reflected as a net reduction in debt. The Credit Agreement is secured by a lien on substantially all of the assets of Company and its U.S. subsidiaries and a pledge of 65% of the shares of certain of the Company's foreign subsidiaries. The Credit Agreement contains cross default provisions, various restrictions upon the Company's ability to, among other things, merge, consolidate, sell assets, incur indebtedness, make loans and payments to subsidiaries, affiliates and related parties, make capital expenditures, make investments and loans, pledge assets, make changes to capital stock ownership structure, as well as financial covenants, as defined, of a minimum consolidated fixed charge ratio and a maximum consolidated leverage ratio. In June 2016, PFSweb also entered into a Master Agreement with Regions Bank to provide equipment loans financing for certain capital expenditures.

Debt Covenants

To the extent the Company or any of its subsidiaries fail to comply with its covenants applicable to its debt or vendor financing obligations, including the periodic financial covenant requirements, such as profitability and cash flow, and required level of shareholders' equity or net worth (as defined), the Company would be required to obtain a waiver from the lender or the lender would be entitled to accelerate the repayment of any outstanding credit facility obligations, and exercise all other rights and remedies, including sale of collateral and enforcement of payment under the Company parent guarantee. Any acceleration of the repayment of the credit facilities may have a material adverse impact on the Company's financial condition and results of operations and no assurance can be given that the Company would have the financial ability to repay all of such obligations. As of and for three and nine months ended September 30, 2017, the Company was in compliance with all debt covenants.

Master Lease Agreements

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

9. *SEGMENT INFORMATION*

The Company is currently organized into two primary operating segments, which generally align with its corporate organization structure. In the first segment, PFSweb is a global provider of various infrastructure, technology, and digital agency solutions and operates as a service fee business. In the second operating segment ("Business and Retail Connect"), subsidiaries of the Company purchase inventory from clients and resell the inventory to client customers. In this segment, the Company recognizes product revenue when it operates as a principal in the arrangement and service fee revenue when it operates as an agent.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Revenues (in thousands):				
PFSweb	$ 66,935	$ 67,768	$ 201,423	$ 194,239
Business and Retail Connect	14,053	15,351	44,993	48,425
Eliminations	(3,670)	(3,209)	(12,264)	(10,476)
	$ 77,318	$ 79,910	$ 234,152	$ 232,188
Income (loss) from operations (in thousands):				
PFSweb	$ 543	$ (447)	$ (5,364)	$ (2,516)
Business and Retail Connect	624	441	1,517	1,323
	$ 1,167	$ (6)	$ (3,847)	$ (1,193)
Depreciation and amortization (in thousands):				
PFSweb	$ 3,527	$ 3,797	$ 11,083	$ 11,188
Business and Retail Connect	4	6	13	18
	$ 3,531	$ 3,803	$ 11,096	$ 11,206
Capital expenditures (in thousands):				
PFSweb	$ 1,748	$ 1,049	$ 3,965	$ 7,532
Business and Retail Connect	—	—	—	—
	$ 1,748	$ 1,049	$ 3,965	$ 7,532

	September 30, 2017	December 31, 2016
Assets (in thousands):		
PFSweb	$ 146,192	$ 167,152
Business and Retail Connect	31,164	55,559
Eliminations	(11,996)	(11,375)
	$ 165,360	$ 211,336

10. *COMMITMENTS AND CONTINGENCIES*

The Company leases facilities, warehouse and office space and transportation and other equipment under operating leases expiring in various years through 2026. In most cases, management expects that, in the normal course of business, leases will be renewed or replaced by other similar leases. The Company’s facility leases generally contain one or more renewal options.

The Company received municipal tax abatements in certain locations. In prior years, the Company received notice from a municipality that it did not satisfy certain criteria necessary to maintain the abatements and that the municipal authority planned to make an adjustment to the Company’s tax abatement. The Company disputed the adjustment and such dispute has been settled with the municipality. However, the amount of additional property taxes to be assessed against the Company and the timing of the related payments has not been finalized. As of September 30, 2017, the Company believes it has adequately accrued for the expected assessment.

The Company is subject to claims in the ordinary course of business, including claims by terminated employees, claims relating to invoice disputes and claims of alleged infringement by the Company or its subsidiaries of the patents, trademarks and other intellectual property rights of third parties. The Company is generally required to indemnify its service fee clients against any third party claims asserted against such clients alleging infringement by the Company of the patents, trademarks and other intellectual property rights of third parties. In the opinion of management, any liabilities resulting from these claims would not have a material adverse effect on the Company’s financial position or results of operations.

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

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

Forward-Looking Information

We have made forward-looking statements in this Report on Form 10-Q. These statements are subject to risks and uncertainties, and there can be no guarantee that these statements will prove to be correct. Forward-looking statements include assumptions as to how we may perform in the future. When we use words like "seek," "strive," "believe," "expect," "anticipate," "predict," "potential," "continue," "will," "may," "could," "intend," "plan," "target," "project" and "estimate" or similar expressions, we are making forward-looking statements. You should understand that the following important factors, in addition to the Risk Factors set forth above or elsewhere in this Report on Form 10-K for the year ended December 31, 2016, could cause our results to differ materially from those expressed in our forward-looking statements. These factors include:

- our ability to retain and expand relationships with existing clients and attract and implement new clients;
- our reliance on the fees generated by the transaction volume, product sales and technology and agency projects and support of our clients;
- our reliance on our clients' projections or transaction volume or product sales;
- our dependency upon our agreements with International Business Machines Corporation ("IBM") and Ricoh Company Limited and Ricoh USA, Inc., a strategic business unit within the Ricoh Family Group of Companies, (collectively hereafter referred to as "Ricoh");
- our dependency upon our agreements with our major clients;
- our client mix, their business volumes and the seasonality of their business;
- our ability to finalize pending client and customer contracts;
- the impact of strategic alliances and acquisitions;
- trends in e-commerce, outsourcing, government regulation, both foreign and domestic, and the market for our services;
- whether we can continue and manage growth;
- increased competition;
- our ability to generate more revenue and achieve sustainable profitability;
- effects of changes in profit margins;
- the customer and supplier concentration of our business;
- our reliance on third-party providers and other subcontracted services;
- the unknown effects of possible system failures and rapid changes in technology;
- foreign currency risks and other risks of operating in foreign countries;
- potential litigation;
- our dependency upon key personnel;
- our ability to retain seasonal and temporary workers;
- the impact of new accounting standards and changes in existing accounting rules or the interpretations of those rules;
- our ability to raise additional capital or obtain additional financing;
- our ability, and the ability of our subsidiaries, to borrow under current financing arrangements and maintain compliance with debt covenants;
- our relationship with, and our guarantees of, certain of the liabilities and indebtedness of our subsidiaries; and
- taxation on the sale of our products and provision of our services.

We have based these statements on our current expectations about future events. Although we believe the expectations reflected in our forward-looking statements are reasonable, we cannot guarantee these expectations will actually be achieved. In addition, some forward-looking statements are based upon assumptions as to future events that may not prove to be accurate. Therefore, actual outcomes and results may differ materially from what is expected or forecasted in such forward-looking statements. We undertake no obligation to update publicly any forward-looking statement for any reason, even if new information becomes available or other events occur in the future.

Key Transactions and Events

During 2016, we were impacted by the following key transactions and events that also affect comparability of our results to prior periods and are discussed further in our Form 10-K for the year ended December 31, 2016.

- Acquired the outstanding capital stock of Conexus Limited (“Conexus”) on June 8, 2016. The results of operations of Conexus have been included in our condensed consolidated financial statements since the acquisition date.
- Implemented fulfillment solutions for three new large clients, resulting in incremental operating expenses in excess of associated revenues.

Overview

We are a global provider of omni-channel commerce solutions. Comprised of a broad range of technology, critical infrastructure and professional services, we provide our clients with best-of-breed capabilities offered as a complete end-to-end solution or on an à la carte basis. We provide these solutions and services to major brand name companies and others seeking to optimize their supply chain and to enhance their online and traditional business channels and initiatives. We derive our revenues from providing a broad range of services using three different seller services financial models: 1) the Service Fee model, 2) the Agent (or Flash) model and 3) the Retail model.

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

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

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

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

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

In general, we provide the Service Fee model through all of our subsidiaries, the Agent (or Flash) model through our PFSweb and Supplies Distributors subsidiaries and the Retail model through our Supplies Distributors subsidiary.

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

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

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

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

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

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

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

Selling, General and Administrative expenses – consist of expenses such as compensation and related expenses for sales and marketing staff, distribution costs (excluding freight) applicable to the Supplies Distributors business and the Retail model, executive, management and administrative personnel and other overhead costs, including certain occupancy and information technology costs and depreciation and amortization expenses and acquisition related costs.

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

Results of Operations for the Interim Periods Ended September 30, 2017 and 2016

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

	For the Three Months Ended September 30,					For the Nine Months Ended September 30,				
				% of Net Revenues					% of Net Revenues	
	2017	2016	Change	2017	2016	2017	2016	Change	2017	2016
Revenues										
Service fee revenue	$ 54.5	$ 53.8	$ 0.7	70.5%	67.3%	$ 166.5	$ 154.3	$ 12.2	71.1%	66.4%
Product revenue, net	9.6	11.7	(2.1)	12.4%	14.6%	30.9	36.7	(5.8)	13.2%	15.8%
Pass-through revenue	13.2	14.5	(1.3)	17.1%	18.1%	36.8	41.3	(4.5)	15.7%	17.8%
Total net revenues	77.3	80.0	(2.7)	100.0%	100.0%	234.2	232.3	1.9	100.0%	100.0%
Cost of Revenues										
Cost of service fee revenue (1)	35.7	36.9	(1.2)	65.6%	68.6%	111.3	103.5	7.8	66.9%	67.1%
Cost of product revenue (2)	9.0	11.0	(2.0)	93.5%	94.2%	29.2	34.6	(5.4)	94.6%	94.5%
Pass-through cost of revenue (3)	13.2	14.5	(1.3)	100.0%	100.0%	36.8	41.3	(4.5)	100.0%	100.0%
Total cost of revenues	57.9	62.4	(4.5)	74.9%	78.0%	177.3	179.4	(2.1)	75.7%	77.3%
Service fee gross profit	18.8	16.9	1.9	34.4%	31.4%	55.2	50.8	4.4	33.1%	32.9%
Product revenue gross profit	0.6	0.7	(0.1)	6.5%	5.8%	1.7	2.1	(0.4)	5.4%	5.5%
Pass-through gross profit	—	—	—	—	—	—	—	—	—	—
Total gross profit	19.4	17.6	1.8	25.1%	22.0%	56.9	52.9	4.0	24.3%	22.7%
Selling, General and Administrative expenses	18.2	17.6	0.6	23.6%	22.0%	60.7	53.9	6.8	25.9%	23.2%
Income (loss) from operations	1.2	-	1.2	0.0	(0.1)%	(3.8)	(1.0)	(2.8)	(1.6)%	(0.5)%
Interest expense, net	0.8	0.7	0.1	1.0%	0.9%	2.2	2.0	0.2	0.9%	0.8%
Income (loss) before income taxes	0.4	(0.7)	1.1	0.5%	(0.9)%	(6.0)	(3.0)	(3.0)	(2.6)%	(1.3)%
Income tax expense, net	0.5	0.3	0.2	0.6%	0.4%	1.6	1.0	0.6	0.7%	0.4%
Net loss	$ (0.1)	$ (1.0)	$ 0.9	(0.1)%	(1.3)%	$ (7.6)	$ (4.0)	$ (3.6)	(3.2)%	(1.7)%

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

Service Fee Revenue. The increase in service fee revenue for the three and nine months ended September 30, 2017, as compared to the same periods of the prior year, was primarily due to the impact of new client relationships partially offset by the conclusion or reduction of operations of several client programs that were in effect during the three and nine months ended September 30, 2016.

The change in service fee revenue, excluding pass-through revenue, is shown below (millions):

	Three Months	Nine Months
Period ended September 30, 2016	$ 53.8	$ 154.3
New service contract relationships	9.0	18.0
Change in existing client service fees	(1.6)	(0.2)
Terminated client relationships not included in 2017 revenue	(6.7)	(5.6)
Period ended September 30, 2017	$ 54.5	$ 166.5

When considering client relationships, we define an existing client to be a client from whom we earned revenue in both the current and prior period; we define a new client to be a client from whom we only earned revenue in the current period; and we define a terminated client as a client from whom we only earned revenue in the prior period. Based on current client projections, during 2017 we expect the reduction in revenue from terminated client programs to be more than offset by service fee revenue generated in 2017 by new or expanded client opportunities. For calendar year 2017, we are currently targeting a slight increase in service fee revenues as compared to the calendar year 2016 including the impact of a full year of operations from our Conexus entity versus partial year in 2016.

Product Revenue, net. Product revenue decreased $2.1 million and $5.8 million, or 17.6% and 15.8% for the three and nine months ended September 30, 2017, respectively as compared to the same periods the prior year. This reduction in revenue is primarily due to the operational restructuring by Ricoh of its business, including discontinuance of certain product lines, which has resulted, and is expected to continue to result, in lower product revenue from the sale of Ricoh products. We currently expect product revenue to continue to decline and be approximately $40 million to $42 million for the calendar year 2017.

Cost of Service Fee Revenue. Service fee gross profit as a percentage of service fees increased to 34.4% in three months ended September 30, 2017 from 31.4% in the same period of 2016. The improved gross margin is partially due to an increased percentage of our service fees being generated from our higher margin professional services activity, including our agency and technology services. The increase in gross profit is also due to the termination of a large fulfillment contract earlier this year that operated at a loss during the prior year period. Service fee gross profit as a percentage of service fees increased to 33.1% in nine months ended September 30, 2017 from 32.9% in the same period of 2016.

On a full calendar year basis, we target to earn an overall average gross profit on our service fee activity of 27-32% on existing and new service fee contracts, but we have accepted, and may continue to accept, lower gross margin percentages on certain contracts depending on contract scope and other factors, including projected volumes. We are currently projecting our gross profit for calendar year 2017 to be toward the high end of the above targeted range. As we look ahead, we are focused on continuing to increase our level of higher margin service fee activity, including our professional and technology services. Through various initiatives, the Company is also targeting to improve the financial performance of its fulfillment operations, including improving efficiencies of two other large fulfillment contracts which started in late 2016. Our service fee gross profit will continue to be impacted by the relative proportion of our infrastructure related services versus our professional services activity.

Cost of Product Revenue. Cost of product revenue decreased by $2.0 million, or 18.2%, in the three months ended September 30, 2017, which resulted in a gross profit margin of $0.6 million, or 6.5% of product revenue, for the three months ended September 30, 2017, compared to $0.7 million gross profit margin, or 5.8% of product revenue, for the comparable 2016 period. Cost of product revenue decreased by $5.4 million, or 15.7%, in the nine months ended September 30, 2017. The resulting gross profit margin was $1.7 million, or 5.4% of product revenue, for the nine months ended September 30, 2017 and $2.1 million, or 5.5% of product revenue, for the comparable 2016 period. We currently expect our product revenue gross profit margin to be between 5% and 6% for calendar year 2017.

Selling, General and Administrative (“SG&A”) Expenses. SG&A expenses for the three months ended September 30, 2017 and 2016 were $18.2 million and $17.6 million, respectively. As a percentage of total net revenues, SG&A expenses were 23.6% in the three months ended September 30, 2017 and 22.0% in the corresponding prior year period. The increase in SG&A in the three months ended September 2017 is primarily due to approximately $0.4 million of incremental stock based compensation expense and approximately $0.1 million of acquisition and restructuring related expenses in the three months ended September 30, 2017 compared to a benefit of $0.5 million in the three months ended September 30, 2016, partially offset by a reduction of amortization of acquisition-related intangibles of $0.4 million.

SG&A expenses for the nine months ended September 30, 2017 and 2016, were $60.7 million and $53.9 million, respectively. The nine months ended September 2017 includes $3.9 million of acquisition and restructuring costs, primarily including $2.2 million related to revised higher estimates of certain performance-based contingent payments and $1.6 million of severance related costs. The nine months ended September 2016 included a net benefit of approximately $0.5 million of acquisition and restructuring related costs, primarily including a $2.9 million benefit related to revised lower estimates of certain performance-based contingent payments partially offset by costs applicable to the Conexus acquisition. Excluding the impact of acquisition and restructuring related costs, SG&A was $56.8 million and $54.4 million for the nine months ended September 30, 2017 and 2016, respectively. The remaining increase in the SG&A is primarily due to $1.1 million of incremental SG&A costs for the Conexus business, which we only operated for a partial period in the nine months ended September 2016, and an increase of $0.8 million related to stock-based compensation.

We currently expect our SG&A expenses will continue to increase in 2017, as compared to 2016 as we include a full year of expenses for Conexus, incur a full year of amortization for identifiable intangible assets acquired in our Conexus acquisition, incur incremental personnel related costs applicable to our professional services business activity, incur incremental incentive based cash and stock compensation, and incur additional expenditures related to our sales and marketing activities and facility costs. We expect these increases to be partially offset by cost reduction efforts in other areas as we continue to focus on overall cost control. Additionally, future adjustments in fair value estimates of our performance-based contingent payments, if any, applicable to our CrossView acquisition will continue to be reflected as increases or decreases in SG&A expense.

Income Taxes. We recorded a tax provision associated primarily with state income taxes and the majority of our international operations. A valuation allowance has been provided for the majority of our domestic net deferred tax assets, which are primarily related to our net operating loss carryforwards, and for certain foreign deferred tax assets. We also recorded a deferred tax provision associated with the tax amortization of goodwill related to our CrossView acquisition. We expect we will continue to record an income tax provision associated with state income taxes and our foreign operations, as well as the deferred tax provision for tax amortization of goodwill.

Liquidity and Capital Resources

In addition to cash income from operations before working capital changes, our operating cash flows are impacted by various factors. For each of the periods ended September 30, 2017 and 2016, our cash flows from operations were impacted primarily by decreases in our accounts payable, deferred revenue, accrued expenses and other liabilities balances in part due to decreased business activity and timing of payments to clients of customer collections as a result of reduced business volumes following the seasonally higher fourth quarter and a reduction in product revenue under certain contractual arrangements. These cash outflows were partially offset by a decrease in accounts receivable primarily due to decreased business activity in each of the three months ended September 30 2017 and 2016 as compared to the seasonably higher fourth quarter of both 2017 and 2016, and a reduction in product revenue. Under certain contractual client arrangements, we have historically received an incremental cash flow benefit related to the timing of certain cash collections received from our clients' customers that were then later remitted to our clients. Beginning in the September 2017 quarter, this benefit was reduced due to a modification with one of our clients regarding the timing of such remittances.

In each of the periods ended September 30, 2017 and 2016, our cash used in investing activities included cash payments for the purchase of capital expenditures, exclusive of property and equipment acquired under debt and capital lease financing, which consisted primarily of capitalized software costs and equipment purchases. The 2016 capital expenditures include leasehold improvements and other expenditures for expansion at certain of our facilities, of which, approximately $0.6 million were financed via tenant allowances that are being amortized over the underlying lease term. Also in the nine months ended September 30, 2016, our cash used in investing activities included cash payments of $8.3 million for the acquisition of Conexus, net of cash acquired.

Aggregate net cash payments on debt were $7.3 million in the nine months ended September 30, 2017 compared to aggregate net cash proceeds from debt of $23.3 million during the nine months ended September 30, 2016.

Capital expenditures have historically consisted of additions to upgrade our management information systems, development of customized technology solutions to support and integrate with our service fee clients and general expansion and upgrades to our facilities, both domestic and foreign. We expect to incur capital expenditures to support new contracts and anticipated future growth opportunities. Based on our current client business activity and our targeted growth plans, we anticipate our total investment in upgrades and additions to facilities and information technology solutions and services for the upcoming twelve months, including costs to implement new clients, will be approximately $7 million to $10 million, although additional capital expenditures may be necessary to support the infrastructure requirements of new clients. To maintain our current operating cash position, a portion of these expenditures may be financed through client reimbursements, debt, operating or capital leases or additional equity. We may elect to modify or defer a portion of such anticipated investments in the event we do not obtain the financial results necessary to support such investments.

During the nine months ended September 30, 2017 our working capital decreased to $14.1 million from $18.6 million at December 31, 2016, primarily due to payments of long-term financing under the Company's senior bank facility, cash used to support certain purchases of property and equipment, and the impact of performance-based contingent payments.

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

Our term and revolving loan facilities described below contain both financial and non-financial covenants. To the extent we fail to comply with our debt covenants, including the financial covenant requirements, and we are not able to obtain a waiver, the lenders would be entitled to accelerate the repayment of any outstanding credit facility obligations, and exercise all other rights and remedies, including sale of collateral. An acceleration of the repayment of our credit facility obligations may have a material adverse impact on our financial condition and results of operations. We can provide no assurance we will have the financial ability to repay all such obligations. As of September 30, 2017, we were in compliance with all debt covenants. Further, non-renewal of any of our credit facilities may have a material adverse impact on our business and financial condition. Other than performance-based contingent payments applicable to our acquisitions, and our capital and operating lease commitments, we do not have any other material financial commitments, although future client contracts may require capital expenditures and lease commitments to support the services provided to such clients.

We receive municipal tax abatements in certain locations. In prior years, we received notice from a municipality that we did not satisfy certain criteria necessary to maintain the abatements and that the municipal authority planned to make an adjustment to our tax abatement. We disputed the adjustment and such dispute has been settled with the municipality. However, the amount of additional property taxes to be assessed against us and the timing of the related payments has not been finalized. As of September 30, 2017, we believe we have adequately accrued for the expected assessment.

Supplies Distributors Financing

To finance its distribution of Ricoh products in the U.S., Supplies Distributors has a short-term credit facility with IBM Credit LLC ("IBM Credit") that provides financing for eligible inventory and certain receivables for up to $13.0 million. We have provided a collateralized guarantee to secure the repayment of this credit facility. The IBM Credit facility does not have a stated maturity and both parties have the ability to exit the facility following a 90-day notice. The Company has direct vendor credit terms with Ricoh to finance Supplies Distributors European subsidiary's inventory purchases.

This credit facility contains various restrictions upon the ability of Supplies Distributors and its subsidiaries to, among other things, merge, consolidate, sell assets, incur indebtedness, make loans, investments and payments to related parties (including entities directly or indirectly owned by PFSweb, Inc.), provide guarantees, make investments and loans, pledge assets, make changes to capital stock ownership structure and pay dividends, as well as financial covenants, such as annualized revenue to working capital, net profit after tax to revenue and total liabilities to tangible net worth, as defined, and are secured by all of the assets of Supplies Distributors, as well as a collateralized guaranty of PFSweb. Additionally, we are required to maintain a subordinated loan to Supplies Distributors of no less than $2.5 million, not maintain restricted cash of more than $5.0 million, are restricted with regard to transactions with related parties, indebtedness and changes to capital stock ownership. Furthermore, we are obligated to repay any over-advance made to Supplies Distributors or its subsidiaries under these facilities if they are unable to do so. We have also provided a guarantee of substantially all of the obligations of Supplies Distributors and its subsidiaries to IBM and Ricoh.

PFS Financing

We have a credit agreement ("Credit Agreement") with Regions Bank, as agent for itself, Bank of America N.A., HSBC Bank USA, National Association and one or more future lenders (the "Lenders"). Under this Credit Agreement, and subject to the terms set forth therein, the Lenders have agreed to provide a revolving loan facility for up to $32.5 million and a term loan facility for up to $30 million. Subject to the terms of the Credit Agreement, we have the ability to increase the total loan facilities to $75 million. Availability under the revolving loan facility, which was approximately $11.3 million as of September 30, 2017, may not exceed a borrowing base of eligible accounts receivable (as defined). Advances under the Credit Agreement accrue interest at a variable rate, plus an applicable margin, and have a five year maturity, with scheduled amortization payments for term loan advances. The Credit Agreement is secured by a lien on substantially all of the assets of the Company and its U.S. subsidiaries and a pledge of 65% of the shares of certain of the Company's foreign subsidiaries. The Credit Agreement contains cross default provisions, various restrictions upon our ability to, among other things, merge, consolidate, sell assets, incur indebtedness, make loans and payments to subsidiaries, affiliates and related parties, make capital expenditures, make investments and loans, pledge assets, make changes to capital stock ownership structure, as well as financial covenants, as defined, of a minimum fixed charge ratio and a maximum leverage ratio.

Acquisition

On June 8, 2016, PFSweb, Inc. purchased all of the outstanding shares of Conexus, Inc. ("Conexus"), an eCommerce system integrator that provides strategic consulting, system integration, and managed services for leading businesses and technology companies. Conexus maintains primary operations in Basingstoke, Hampshire (U.K.). We paid an aggregate cash payment at closing of £5,855,000 (approximately $8.5 million as of June 8, 2016), subject to a post-closing adjustment based upon a May 31, 2016 balance sheet.

Seasonality

The seasonality of our service fee business is dependent upon the seasonality of our clients' business and sales of their products. Accordingly, we must rely upon the projections of our clients in assessing quarterly variability. We believe that with our current client mix and their current business volumes, our run rate service fee business activity will generally be highest during the quarter ended December 31. We believe our historical revenue pattern makes it difficult to predict the effect of seasonality on our future revenues and results of operations.

We believe results of operations for a quarterly period may not be indicative of the results for any other quarter or for the full year.

Inflation

Management believes that inflation has not had a material effect on our operations.

Critical Accounting Policies

A description of our critical accounting policies is included in Note 2 of the consolidated financial statements in our December 31, 2016 Annual Report on Form 10-K and Note 2 of this report.

ITEM 3. Quantitative and Qualitative Disclosure about Market Risk

Not applicable.

ITEM 4. Controls and Procedures

Disclosure Controls and Procedures

We maintain a comprehensive set of disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 ("Exchange Act"). As of September 30, 2017, an evaluation of the effectiveness of our disclosure controls and procedures was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, these disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

During the period that ended on September 30, 2017, 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

In addition to the risk factors set forth in Part I, Item 1A of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016 filed with the Securities and Exchange Commission, our business, financial condition and operating results could be adversely affected by any or all of the following factors.

Risks Related to Our Business

We operate with significant levels of indebtedness and are required to comply with certain financial and non-financial covenants; and we have guaranteed certain indebtedness and obligations of our subsidiaries.

As of September 30, 2017, our total credit facilities outstanding, including debt, capital lease obligations and our vendor accounts payable related to financing of Ricoh product inventory, was approximately $57.7 million. We cannot provide assurance that our credit facilities will be renewed by the lending parties. Additionally, these credit facilities include both financial and non-financial covenants, many of which also include cross default provisions applicable to other agreements. These covenants also restrict our ability to transfer funds among our various subsidiaries, which may adversely affect the ability of our subsidiaries to operate their businesses or comply with their respective loan covenants. We cannot provide assurance that we will be able to maintain compliance with these covenants. A non-renewal, default under or acceleration of any of our credit facilities may have a material adverse impact upon our business and financial condition. We have guaranteed most of the indebtedness of Supplies Distributors. Furthermore, we are obligated to repay any over-advance made to Supplies Distributors by its lenders to the extent Supplies Distributors is unable to do so.

Our business is subject to the risk of customer and supplier concentration.

Most of our client agreements state a contract expiration date, but many also include an early termination clause permitting the client to terminate the contract for convenience prior to its stated expiration date or to reduce the scope of services or delay the commencement of services to be provided under the contract. Termination, reduction, or delay of our services under a contract could result from factors unrelated to our work product or the progress of the project, such as factors related to business or financial conditions of the client, changes in client strategies or the domestic or global economy generally. The early termination, reduction or substantial delay of services with any significant client, or nonrenewal of any significant client contract, or the nonpayment of a material amount of our service fees by a significant client, could have a material adverse effect upon our business, results of operation and financial condition.

The majority of our Supplies Distributors product revenue is generated by sales of product purchased under distributor agreements with Ricoh. These agreements are terminable at will and no assurance can be given that Ricoh will continue the distributor agreements with Supplies Distributors. Supplies Distributors does not have its own sales force and relies upon Ricoh's sales force and product demand generation activities for its sale of Ricoh product. As a result of certain operational restructuring of its business and its discontinuance of certain product lines, Ricoh has implemented, and will continue to implement, certain changes in the sale and distribution of Ricoh products. The changes have resulted, and are expected to continue to result, in reduced revenues and profitability for Supplies Distributors. Further material reduction in the Ricoh business may have a material adverse effect on Supplies Distributors' business and the termination of the Ricoh business would adversely affect our overall profitability.

Sales by Supplies Distributors to three customers accounted for approximately 31% of Supplies Distributors' total product revenue for the nine months ended September 30, 2017 and approximately 4% of consolidated net revenue. The loss of one or more of such customers, or non-payment of any material amount by these or any other customer, may have a material adverse effect upon Supplies Distributors' business, results of operations and financial condition.

Risks Related to Our Stock

Our stock price could decline if a significant number of shares become available for sale.

As of September 30, 2017, we have issued an aggregate of (i) 1,053,000 stock options outstanding to employees, directors and others with a weighted average exercise price of $7.87 per share (ii) 421,000 performance shares of common stock that may vest, subject to satisfaction of vesting conditions, over the next one to three years, (iii) 183,000 restricted stock units that may vest subject to satisfaction of vesting conditions over the next three years, and (iv) 167,000 deferred stock units to the non-employee members of our Board of Directors under which the underlying shares will be issued upon the termination of service of the holder. The current and future issuance and/or vesting of shares of our common stock under the foregoing stock awards, performance shares and deferred stock units, sales of substantial amounts of common stock in the public market following the issuance and/or vesting of such shares, and/or the perception that future sales of these shares could occur, could reduce the market price of our common stock and make it more difficult to sell equity securities in the future.

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

None

ITEM 3. Defaults Upon Senior Securities

None

ITEM 4. Mine Safety Disclosure

Not applicable

ITEM 5. Other Information

None

ITEM 6. Exhibits

a) Exhibits:

Exhibit No.	Description of Exhibits
3.1(1)	Amended and Restated Certificate of Incorporation of PFSweb, Inc.
3.1.1(2)	Certificate of Amendment to Amended and Restated Certificate of Incorporation of PFSweb, Inc.
3.1.2(4)	Certificate of Amendment to Certificate of Incorporation of PFSweb, Inc.
3.1.3(5)	Certificate of Amendment to Amended and Restated Certificate of Incorporation of PFSweb, Inc.
3.1.4(7)	Certificate of Amendment to Amended and Restated Certificate of Incorporation of PFSweb, Inc.
3.2(1)	Amended and Restated By-Laws
3.2.1(3)	Amendment to the Amended and Restated By-Laws of PFSweb, Inc.
3.2.2(6)	Amendment to the Amended and Restated By-Laws of PFSweb, Inc.
3.2.3(7)	Amendment to the Amended and Restated By-Laws of PFSweb, Inc.
4.1 (8)	Amendment No. 5 to Rights Agreement, dated as of June 18, 2015 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.
4.1 (9)	Amendment No. 6 to Rights Agreement, dated as of July 30, 2015 between the Company and Computershare Inc., successor in interest to Computershare Shareowner Services LLC (formerly known as Mellon Investor Services LLC,) as successor to ChaseMellon Shareholder Services, LLC., as rights agent.
10.1*	Sixth Amendment to Lease Agreement by and between Western B. South MS, LLC and Priority Fulfillment Services, Inc. dated August 14, 2017.
10.2*	Amendment to Lease by and between GPT Stateline Road Owner LLC and Priority Fulfillment Services, Inc. dated September 12, 2017.
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.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase.
101.LAB*	XBRL Taxonomy Extension Label Linkbase.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase.

(1) Incorporated by reference from PFSweb, Inc. Registration Statement on Form S-1 (Commission File No. 333-87657).
(2) Incorporated by reference from PFSweb, Inc. Form 10-K for the fiscal year ended December, 31, 2005 filed on March 31, 2006.
(3) Incorporated by reference from PFSweb, Inc. Report on Form 8-K filed on November 13, 2007.
(4) Incorporated by reference from PFSweb, Inc. Report on Form 8-K filed on June 2, 2008.
(5) Incorporated by reference from PFSweb, Inc. Form 10-Q filed on August 14, 2009.
(6) Incorporated by reference from PFSweb, Inc. Report on Form 8-K filed on July 2, 2010.
(7) Incorporated by reference from PFSweb, Inc. Report on Form 8-K filed on July 18, 2013.
(8) Incorporated by reference from PFSweb, Inc. Report on Form 8-K filed on June 19, 2015.
(9) Incorporated by reference from PFSweb, Inc. Report on Form 8-K filed on July 30, 2015.
* 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: November 9, 2017

PFSweb, Inc.

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

SIXTH AMENDMENT TO LEASE AGREEMENT

THIS SIXTH AMENDMENT TO LEASE AGREEMENT (hereinafter referred to as this "Amendment") is made this 14th day of August, 2017, by and between WESTERN B SOUTH MS, LLC, a Delaware limited liability company ("Landlord"), and PRIORITY FULFILLMENT SERVICES, INC., a Delaware corporation ("Tenant").

WITNESSETH:

WHEREAS, Landlord and Tenant are party to that certain Industrial Lease Agreement, dated as of August 19, 2004 (the "Original Lease"), as amended by that certain First Amendment to Industrial Lease Agreement, dated as of December 22, 2004 (the "First Amendment"), as further amended by that certain Second Amendment to Industrial Lease Agreement, dated as of December 28, 2007 (the "Second Amendment"), as further amended by that certain Third Amendment to Industrial Lease Agreement, dated as of August 14, 2008 (the "Third Amendment"), as further amended by that certain Fourth Amendment to Industrial Lease Agreement, dated as of December 31, 2010 (the "Fourth Amendment"), and as further amended by that certain Fifth Amendment to Industrial Lease Agreement, dated as of January 27, 2015 (the "Fifth Amendment", and collectively with the Original Lease, the First Amendment, the Second Amendment, the Third Amendment, and the Fourth Amendment, the "Lease", as may be further amended or modified from time to time), pursuant to which Landlord leases to Tenant certain premises consisting of approximately 434,900 rentable square feet with a common address of 8474 Market Place, Southaven, Mississippi 38671, as more particularly described in the Lease (the "Original Premises"), and located in the Building commonly known as Southaven Distribution Center, Building 2. Capitalized terms used herein but not otherwise defined shall have the meanings ascribed thereto in the Lease.

WHEREAS, Tenant desires to reduce the Original Premises by approximately 194,400 rentable square feet, as more particularly shown on Exhibit A attached hereto (the "Reduction Premises") such that the Premises for purposes of the Lease from and after the Remaining Premises Commencement Date (as hereinafter defined) shall consist of approximately 240,500 rentable square feet, as more particularly shown on Exhibit A attached hereto (the "Remaining Premises").

WHEREAS, Landlord has agreed to the requested changes set forth in the preceding recitals, subject to the entry into this Amendment and the modification of the Lease terms and conditions as set forth herein.

AGREEMENT:

NOW, THEREFORE, in consideration of ten dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties, and the mutual covenants set forth herein, the parties hereto agree as follows:

1. **Remaining Premises; Surrender of the Reduction Premises.**

(a) **Remaining Premises**.

(i) Effective solely for the period from and after September 15, 2017 (the "Remaining Premises Commencement Date"), the "Demised Premises" as defined in the Lease shall be deemed to be only the Remaining Premises, and all of the terms and conditions of the Lease with respect to the Demised Premises shall be deemed to apply solely to the Remaining Premises in all respects, except as otherwise set forth herein.

(ii) Notwithstanding Section 8 of the Original Lease, on or prior to the Remaining Premises Commencement Date, Tenant shall deliver revised insurance certificates as required pursuant to Section 8 of the Original Lease (as amended by the terms of this Amendment).

(iii) From and after the Remaining Premises Commencement Date, solely for purposes of the Lease, "Tenant's Operating Expense Percentage" as defined in the Lease shall be 39.92%.

(b) **Surrender of Reduction Premises**.

(i) From and after September 14, 2017 (the "Reduction Premises Termination Date"), any and all rights and obligations of Tenant, and obligations of Landlord, with respect to the Reduction Premises, including, without limitation, Tenant's right to possession of the Reduction Premises, shall be terminated; provided, however, that such termination shall under no circumstances or in any way constitute a waiver or termination of the obligations of Tenant which exist or have accrued up to and including the Reduction Premises Termination Date and which may accrue or continue to accrue after the Reduction Premises Termination Date to the extent Tenant has failed to satisfy all of its obligations with respect to the Reduction Premises. In the event Tenant fails to surrender the Reduction Premises to Landlord on or prior to the Reduction Premises Termination Date in accordance with the terms hereof, then the terms and conditions of Section 30(a) of the Original Lease shall apply in all respects with respect to the Reduction Premises without in any way affecting the obligations of Tenant with respect to the Remaining Premises, including the obligation to pay rent in accordance with the terms herein.

(ii) Tenant acknowledges and agrees that, on or prior to the Reduction Premises Termination Date, Tenant shall surrender the Reduction Premises to Landlord in accordance with the terms of Section 30(b) of the Original Lease, including, without limitation, performing the following repair work: (i) replace the burnt out T5 light bulbs, (ii) repair one (1) column pierced by a forklift, (iii) replace three (3) bottom panels of the dock door to the Reduction Premises, (iv) remove the striping on the floor of the warehouse portion of the Reduction Premises, and (v) remove the racking systems and grind down the bolts in the floor of the Reduction Premises. In the event Tenant shall fail to surrender the Reduction Premises as provided herein, Landlord shall have, in addition to all rights and remedies available to Landlord under the Lease, at law or in equity, the right, but not the obligation, to perform said work on Tenant's behalf and at Tenant's sole cost and expense. In such event, the total cost of performing said repair work shall be paid by Tenant to Landlord immediately upon demand or, at Landlord's option, Landlord may reduce the amount of the Moving Allowance (hereinafter defined) by the amount it cost to perform said repair work.

(iii) In furtherance of the foregoing, Landlord and Tenant acknowledge Landlord inspected the Reduction Premises on or about August 4, 2017. Landlord reserves the right, on or prior to Reduction Premises Termination Date, to perform a final walkthrough of the Reduction Premises for purposes of inspecting the Reduction Premises for any damages which are Tenant's responsibility to repair, at Tenant's sole cost and expense, in accordance with the terms of the Lease and this Amendment, including, without limitation, items outlined in Section 1(b)(ii) herein. Landlord requires that such damage shall be cured by Tenant prior to the Reduction Premises Termination Date and any such failure to cure such damage or surrender the Reduction Premises in accordance with the terms of the Lease shall be an Event of Default under the Lease not subject to cure and Landlord shall be entitled to exercise any and all rights thereunder or at law.

2. **Base Rent Schedule**. Effective as of, and solely with respect to the period after, the Remaining Premises Commencement Date, the monthly Base Rent schedule set forth in Section 2(b) of the Fifth Amendment shall be of no further force and effect and the monthly Base Rent for the Remaining Premises payable by Tenant to Landlord during the Term is as follows:

From:	To:	Base Rent (per month)
September 15, 2017	September 30, 2017	$33,456.22
October 1, 2017	April 30, 2018	$62,730.42

Except as otherwise set forth in this Amendment, all other terms and conditions with respect to the payment of Base Rent, Operating Expenses, or any other sums due and payable by Tenant under the Lease shall remain as set forth thereunder.

3. **AS-IS Condition; Landlord's Work; Moving Cost Allowance**.

(a) **AS-IS Condition**. Tenant hereby acknowledges and agrees that it has accepted the Demised Premises as of the date hereof, and will accept the Remaining Premises as of the Remaining Premises Commencement Date, in AS-IS, WHERE-IS condition without any representation or warranty of any kind made by Landlord in favor of Tenant.

(b) **Landlord's Work**. Notwithstanding the foregoing subsection (a), Landlord shall complete the work set forth on Exhibit B attached hereto in accordance with the terms and conditions set forth on such exhibit.

(c) **Moving Cost Allowance**. Landlord shall contribute up to a maximum amount of $100,000.00 towards Tenant's moving costs and expenses directly related to Tenant's removal and repositioning of Tenant's inventory and equipment out of the Reduction Premises and into the Remaining Premises (the "Moving Cost Allowance"). The Moving Cost Allowance may be used to pay for any equipment removal or replacement, tenant improvements, alterations, trade fixtures, furniture, racking, equipment, cabling, telephone systems or any other item of personal property located in the Remaining Premises, cost associated with Tenant's obligations to repair the Reduction Premises as set forth in Section 1(b)(ii), as well as internal and external labor and project management costs related to the foregoing. Payment of the Moving Cost Allowance shall be made by Landlord to Tenant within thirty (30) days following the last to occur of (i) Tenant's surrender of the Reduction Premises to Landlord in accordance with the terms of the Lease, (ii) Landlord's receipt of Tenant's invoice substantiating the costs related thereto, and (iii) if any invoice relates to work performed by contractors or subcontractors who have lien rights for such work, Landlord's receipt of the final lien waivers from such contractors or subcontractors. Landlord shall be under no obligation to pay for any of Tenant's moving costs and expenses in excess of the Moving Cost Allowance. Further, Landlord shall only be obligated to reimburse Tenant for the amount of the Moving Cost Allowance for invoices submitted to Landlord pursuant to the terms of this Section 3(c) on or before April 30, 2018, at which time Tenant hereby waives any and all rights to any unused portion of the Moving Cost Allowance.

4. **Notice**. Landlord and Tenant's notice addresses, as set forth in Section 1(m) of the Original Lease, and Section 27 of the Original Lease are hereby deleted in their entirety and Section 27 of the Original Lease is hereby replaced with the following:

"27. Notices. All notices required or permitted to be given under this Lease shall be in writing and shall be sent by registered or certified mail, return receipt requested, or by a reputable national overnight courier service, postage prepaid, or by hand delivery addressed to the parties at their addresses set forth below. Except where otherwise expressly provided to the contrary, notice shall be deemed given upon delivery.

Tenant:	Landlord:
Priority Fulfillment Services, Inc. 8474 Market Place Drive Southaven, MS 38671 Attention: General Manager	c/o GLP US Management LLC Two North Riverside Plaza, Suite 2350 Chicago, IL 60606 Attention: Lease Administration
With a copy to:	With a copy to:
Priority Fulfillment Services, Inc. 505 Millennium Drive Allen, TX 75013 Attention: Chief Financial Officer	c/o GLP US Management LLC 50 Old Ivy, Suite 250 Atlanta, GA 30342 Attention: Regional Director

Either party may by notice given aforesaid change its address for all subsequent notices."

5. **Limitation of Liability**. Any obligation or liability whatsoever of Landlord which may arise at any time under this Lease or any obligation or liability which may be incurred by it pursuant to any other instrument, transaction, or undertaking contemplated hereby shall not be personally binding upon, nor shall resort for the enforcement thereof be had to the property of, its trustees, directors, shareholders, officers, employees or agents, regardless of whether such obligation or liability is in the nature of contract, tort, or otherwise.

6. **Additional Changes**.

(a) Section 2(j) to the Fifth Amendment, Section 8 of the Fourth Amendment, and Section 7 of the Second Amendment are hereby deemed null and void and of no further force and effect.

(b) Tenant represents to Landlord that the LEGO Agreement (as defined in Section 12 of the Fourth Amendment) has been terminated, that Landlord is no longer required to provide any written notice to LEGO (as defined in Section 12 of the Fourth Amendment) pursuant to Section 12 of the Fourth Amendment or otherwise, and that all of LEGO's rights under Section 12 of the Fourth Amendment are null and void and of no force or effect. Tenant shall and hereby does indemnify Landlord (including predecessors and successors-in-interest of Landlord) and hold Landlord harmless from and against any and all expense, loss, and liability suffered by Landlord by reason of the inaccuracy of the foregoing representation by Tenant.

7. **Guaranty**. Tenant hereby acknowledges and agrees that, as a condition to the effectiveness of this Amendment, Tenant shall cause PFSWEB, INC., a Delaware corporation, as the unconditional guarantor of the Lease pursuant to that certain Guaranty, dated as of August 19, 2004, to, on or before the date hereof, execute the acknowledgement paragraph set forth on the signature page attached hereto.

8. **Roof**. Notwithstanding anything to the contrary in the Lease, Landlord may elect, in its sole discretion and from time to time, to install (or permit the installation of) telecommunication equipment, solar equipment and panels, and any other equipment for any other uses on the roof of the Demised Premises.

9. **OFAC**. Tenant hereby represents and warrants that, to the best of its knowledge, neither Tenant, nor any persons or entities holding any legal or beneficial interest whatsoever in Tenant, are (i) the target of any sanctions program that is established by Executive Order of the President or published by the Office of Foreign Assets Control, U.S. Department of the Treasury ("OFAC"); (ii) designated by the President or OFAC pursuant to the Trading with the Enemy Act, 50 U.S.C. App. § 5, the International Emergency Economic Powers Act, 50 U.S.C. §§ 1701-06, the Patriot Act, Public Law 107-56, Executive Order 13224 (September 23, 2001) or any Executive Order of the President issued pursuant to such statutes; or (iii) named on the following list that is published by OFAC: "List of Specially Designated Nationals and Blocked Persons." If the foregoing representation is untrue at any time during the Term, an Event of Default will be deemed to have occurred, without the necessity of notice to the defaulting party.

10. **Tenant's Broker**. Tenant represents and warrants that it has dealt with no broker, agent or other person in connection with this transaction and that no broker, agent or other person brought about this transaction other than Cushman & Wakefield. Tenant agrees to indemnify and hold Landlord harmless from and against any claims by any other broker, agent or other person claiming a commission or other form of compensation by virtue of having dealt with Tenant with regard to this leasing transaction.

11. **No Offer**. Submission of this Amendment by Landlord is not an offer to enter into this Amendment, but rather is a solicitation for such an offer by Tenant. Landlord shall not be bound by this Amendment until Landlord and Tenant have fully executed and delivered this Amendment.

12. **Authority**. Tenant represents and warrants to Landlord that Tenant has been and is qualified to do business in the state in which the Demised Premises is located, that the entity has the full right and authority to enter into this Amendment, and that all persons signing on behalf of the entity were authorized to do so by appropriate actions.

13. **Severability**. If any clause or provision of this Amendment is illegal, invalid or unenforceable under present or future laws, then and in that event, it is the intention of the parties hereto that the remainder of this Amendment shall not be affected thereby. It is also the intention of the parties to this Amendment that in lieu of each clause or provision of this Amendment that is illegal, invalid or unenforceable, there be added, as a part of this Amendment, a clause or provision as similar in terms to such illegal, invalid or unenforceable clause or provision as may be possible and be legal, valid and enforceable.

14. **Counterparts and Delivery**. This Amendment may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of such counterparts shall constitute one Amendment. Execution copies of this Amendment may be delivered by facsimile or email, and the parties hereto agree to accept and be bound by facsimile signatures or scanned signatures transmitted via email hereto, which signatures shall be considered as original signatures with the transmitted Amendment having the binding effect as an original signature on an original document. Notwithstanding the foregoing, Tenant shall, upon Landlord's request, deliver original copies of this Amendment to Landlord at the address set forth in such request. Neither party may raise the use of a facsimile machine or scanned document or the fact that any signature was transmitted through the use of a facsimile machine or email as a defense to the enforcement of this Amendment.

15. **Conflict; Ratification**. Insofar as the specific terms and provisions of this Amendment purport to amend or modify or are in conflict with the specific terms, provisions and exhibits of the Lease, the terms and provisions of this Amendment shall govern and control. Landlord and Tenant hereby agree that (a) this Amendment is incorporated into and made a part of the Lease, (b) any and all references to the Lease hereinafter shall include this Amendment, and (c) the Lease, and all terms, conditions and provisions of the Lease, are in full force and effect as of the date hereof, except as expressly modified and amended hereinabove.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK; SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly authorized, executed and delivered as of the day and year first set forth above.

TENANT:	LANDLORD:
PRIORITY FULFILLMENT SERVICES, INC., a Delaware corporation	WESTERN B SOUTH MS, LLC, a Delaware limited liability company
By: ____________________ Name: Cheryl Downing Title: Vice President of Financial Planning	By: GLP US Management LLC, a Delaware limited liability company, as agent for Landlord By: ____________________ Name: ____________________ Title: ____________________

GUARANTOR:

PFSWEB, INC., a Delaware corporation (the “Guarantor”), hereby acknowledges and agrees (i) to the terms of this Amendment, (ii) that the liability of Guarantor pursuant to that certain Guaranty, dated as of August 19, 2004 (the “Guaranty”), extends to and includes the modification and Extended Term set forth in this Amendment, including, without limitation, any and all monetary and non-monetary obligations which may accrue hereunder or under the Lease, and (iii) that the Guaranty is hereby ratified in full.

PFSWEB, INC.,
a Delaware corporation

By: ____________________
Name: Travis Hess
Title: EVP & Chief Revenue Officer

EXHIBIT B

Property: Stateline Road (40193)

FIRST AMENDMENT TO LEASE

THIS FIRST AMENDMENT TO LEASE (this "First Amendment") is made and entered into as of the 12 day of September, 2017 (the "Effective Date") by and between GPT STATELINE ROAD OWNER LLC, a Delaware limited liability company ("Landlord") and PRIORITY FULFILLMENT SERVICES, INC., a Delaware corporation ("Tenant").

BACKGROUND

A. Landlord and Tenant are parties to that certain Industrial Lease Agreement dated as of June 30, 2016, as supplemented by that certain Notice of Lease Term Dates dated July 7, 2016 (the "Lease"), whereby Landlord leases to Tenant approximately 198,162 square feet (the "Existing Premises") in the building ("Building") located at 1560 E. Stateline Road, Suite 101, Southaven, Mississippi 38671, as more particularly described in the Lease.

B. Tenant has exercised its right of first refusal in Section 1 of Exhibit C of the Lease to lease the remaining 175,482 square feet of space in the Building.

C. Accordingly, Landlord and Tenant desire to amend the Lease to expand the Existing Premises and amend the Lease, subject to the terms and conditions set forth below.

AGREEMENT

NOW, THEREFORE, in consideration of the covenants and mutual promises contained herein, Ten Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant, each intending to be legally bound hereby, agree to amend, and do hereby further amend, the Lease as follows:

1. Capitalized Terms. Except as specifically defined in this First Amendment, capitalized terms shall have the same meanings given to such terms in the Lease.

2. Primary Term. The initial Term of the Expansion Premises (as defined below) shall expire on December 14, 2022. For the avoidance of doubt, the Primary Term of the Existing Premises has not been modified and shall expire on September 30, 2021.

3. Demised Premises.

a. Commencing as of September 15, 2017 (the "First Expansion Date") and continuing through December 14, 2022 (the "Expansion Premises Expiration Date"), Landlord agrees to lease to Tenant and Tenant agrees to lease from Landlord, an additional 80,000 square feet of space in the Building, as more particularly shown on Exhibit A attached hereto (the "First Expansion Premises").

b. Commencing as of December 15, 2017 (the "Second Expansion Date") and continuing through the Expansion Premises Expiration Date, Landlord agrees to lease to Tenant and Tenant agrees to lease from Landlord, the remaining 95,482 square feet of space in the Building (the "Second Expansion Premises") for a total of 175,482 square feet of space in the Building, as more particularly shown on Exhibit A attached hereto (the First Expansion Premises and Second Expansion Premises are collectively referred to as the "Expansion Premises").

c. Except as expressly modified by this First Amendment, (i) all of Landlord's and Tenant's rights, obligations and covenants with respect to the Existing Premises under the Lease shall apply to and exist in full force and effect with regard to the Expansion Premises, (ii) effective as of the First Expansion Date with respect to the First Expansion Premises and as of the Second Expansion Date with respect to the entire Expansion Premises, (A) any and all references to the "Demised Premises" in the Lease shall be deemed to include both the Existing Premises and the First Expansion Premises or Expansion Premises, as applicable, and (B) any and all references to the "Term" in the Lease shall be deemed to refer to both the Term of the Existing Premises and the Term of the Expansion Premises, provided however, the Term of the Existing Premises shall expire on September 30, 2021 and the Term of the Expansion Premises shall expire on December 14, 2022, and (iii) the Demised Premises (including both the Existing Premises and the Expansion Premises) shall be approximately 373,644 square feet in the aggregate.

4. <u>Base Rent for the Expansion Premises</u>. Commencing (i) as of the First Expansion Date, Tenant shall pay to Landlord the Base Rent for the First Expansion Premises, and (ii) as of the Second Expansion Date, Tenant shall pay to Landlord the Base Rent for the entire Expansion Premises, all as set forth below in accordance with Section 4 of the Lease, which Base Rent shall be payable by Tenant (a) in twelve (12) equal monthly installments in advance on or before the First Expansion Date and on or before the first (1st) day of each succeeding calendar month during the Lease Term, and (b) shall be payable together with each monthly installment of Base Rent for the Existing Premises.

Time Period	**SF**	**Per RSF Annual Base Rent**	**Base Rent (monthly installments)**
9/15/2017 – 12/14/2017	80,000	$3.35	$22,333.33
12/15/2017 – 12/31/2018	175,482	$3.35	$48,988.73
1/1/2019 – 12/31/2019	175,482	$3.42	$49,968.50
1/1/2020 – 12/31/2020	175,482	$3.49	$50,967.87
1/1/2021 – 12/31/2021	175,482	$3.56	$51,987.23
1/1/2022 – 12/14/2022	175,482	$3.63	$53,026.97

From and after the First Expansion Date, all references to "Base Rent" in the Lease, other than Section 1(e), shall include the Base Rent for the Expansion Premises set forth above.

5. <u>Operating Expenses</u>.

a. Effective as of the First Expansion Date, Tenant's Operating Expense Percentage set forth in Section 1(j) of the Lease deleted as replaced with the following:

Time Period	**Tenant's Operating Expense Percentage**
First Expansion Date – 12/14/2017	74.44%
Second Expansion Date – 9/30/2021	100.00%
10/1/2021 – 12/14/2022	46.9%

b. Notwithstanding anything in the Lease to the contrary, for purposes of determining the effect of the cap on Controllable Operating Expenses as set forth in Section 6(b) of the Lease, the "first full calendar year" as referred to therein shall be deemed to be the first full calendar year following the First Expansion Date, i.e., the first full calendar year for purposes of Section 6(b) of the Lease shall be September 15, 2017 through September 30, 2018.

6. Condition of the Premises. Except as expressly provided for in Section 7 below, Tenant accepts the Existing Premises and Expansion Premises in their "as-is" and "where-is" condition, with any and all faults as of the Effective Date and Landlord shall not be required to perform any tenant finish or other work to the Demised Premises nor to provide Tenant any tenant finish allowance or other allowance or inducement with respect to the Demised Premises in connection with the execution of this First Amendment.

7. Landlord's Work. Landlord shall, at Landlord's sole cost and expense, complete the improvements to the Expansion Premises as shown on the plans and specifications attached hereto as Exhibit B and made a part hereof (the "Landlord's Work") in accordance with good workmanship and materials and all applicable building codes and regulations. Landlord shall also, at its sole cost and expense (and such expense shall not be included in Operating Expenses), perform maintenance and repairs to the HVAC systems, dock equipment (doors, levelers and dock locks), and facility lighting of the Expansion Premises (the "Repair Work") to insure that all are in good working order as of the First Expansion Date for the First Expansion Premises and the Second Expansion Date for the Second Expansion Premises. Tenant acknowledges and agrees that (i) Landlord shall not be liable to Tenant for any inconveniences Tenant may experience during the performance, construction or installation of the Landlord's Work and the Repair Work which are beyond Landlord's control or for any delays in Landlord's completion of the Landlord's Work and the Repair Work (regardless of the length of any such delays); (ii) Landlord shall not be obligated to perform the Landlord's Work and the Repair Work at any time other than during normal business hours on regular business days; (iii) Tenant shall ensure that neither Tenant, nor any of Tenant's agents, sublessees, employees, representatives, contractors, subcontractors, suppliers, customers and invitees, interfere with or impede the performance and completion of the Landlord's Work and the Repair Work (regardless of whether such Landlord's Work and Repair Work is performed by Landlord or any of Landlord's agents, employees, contractors, or subcontractors); (iv) Landlord shall have access to the Expansion Premises (and the Existing Premises with reasonable notice during normal business hours) for the purpose of performing the Landlord's Work and the Repair Work; and (v) Tenant shall reasonably cooperate with Landlord during the performance, construction and installation of the Landlord's Work and the Repair Work and Tenant shall be responsible, at no cost to Landlord, for the moving of any and all furniture, trade fixtures, equipment and/or personal property that is reasonably necessary for Landlord to complete (or cause the completion of) the Landlord's Work and the Repair Work. Notwithstanding the foregoing, Landlord and Tenant shall cooperate to schedule a mutually agreeable time for Landlord to perform the Landlord's Work and the Repair Work in order to minimize disruption to Lessee. Landlord hereby warrants and that the HVAC system serving the Expansion Premises shall be in good working condition for a period of three (3) months following the First Expansion Date. Landlord shall perform any and all maintenance, repairs and replacement of such HVAC system serving the Expansion Premises during such three (3) month period, at Landlord's sole cost and expense, and such expense shall not be included in Operating Expenses. Upon termination of the Primary Term of the Existing Premises, Landlord shall, at its sole cost and expense (and such expense shall not be included in Operating Expenses), remove and seal the doors included in the description of Landlord's Work, but shall not be required to perform any additional demising work to separately demise the Expansion Premises from the Existing Premises.

8. Early Access. Subject to the provisions below, from and after the Effective Date, Tenant shall have the right to enter the Expansion Premises in order to generally prepare the Expansion Premises for occupancy including the storage of product, but not to conduct normal business operations ("Early Access"). Other than in connection with Landlord's Work, the Repair Work or any emergency relating to the Expansion Premises, Landlord shall not grant access to the Expansion Premises to any party between the Effective Date and the First Expansion Date and the Second Expansion Date, as applicable. Tenant's right to Early Access to the Expansion Premises is subject to, and conditioned upon, the following:

a. Early Access is only permitted if, and to the extent, permitted by applicable Governmental Requirements.

b. Tenant shall comply with all the terms and conditions of this Lease during any Early Access, other than the obligation to pay Base Rent and its share of Operating Expenses with respect to the Expansion Premises. Nothing herein shall relieve Tenant from its obligations under the Lease with respect to the Existing Premises.

c. Tenant shall not unreasonably interfere with Landlord's completion of the Landlord's Work;

d. Tenant will provide written notice to Landlord prior to any Early Access and Landlord shall have the right to have a representative present during such access so long as Landlord does not delay Tenant's Early Access to the Expansion Premises.

e. Tenant shall not begin its normal business operations from the Expansion Premises until the First Expansion Date with respect to the First Expansion Premises or the Second Expansion Date with respect to the Second Expansion Premises, as the case may be.

f. Notwithstanding anything to the contrary contained herein, Tenant does hereby expressly acknowledge and agree that the storage and installation of fixtures and Tenant's personal property (including equipment) in the Expansion Premises shall be at Tenant's sole risk, cost and expense, and that Landlord shall not be liable for and Tenant hereby releases Landlord from any and all liability for any damage thereto occasioned by any act of God or by any acts, omissions or negligence of any persons; provided, however, that Landlord shall be responsible for its gross negligence or willful misconduct and the gross negligence or willful misconduct of its employees, officers, directors, agents, contractors, and subcontractors. Tenant does hereby further agree to indemnify, defend (with counsel reasonably acceptable to Landlord), and hold harmless Landlord and its employees, officers, directors, agents and contractors from and against any and all claims, liabilities, losses, actions, causes of action, demands, costs and expenses (including, without limitation, attorneys' fees at the trial and appellate levels) of any and every nature arising out of or in any way relating to Tenant's Early Access; provided, however, that Tenant shall not indemnify Landlord for any matter arising from Landlord's gross negligence or willful misconduct or the gross negligence or willful misconduct of its employees, officers, directors, agents, contractors, and subcontractors.

9. Parking. Notwithstanding anything to the contrary set forth in Section 14 of the Lease, commencing as of the First Expansion Date, Tenant shall have the exclusive right to use all of the parking spaces located within the Project, provided however Landlord shall the right to use such parking spaces as reasonably required in order to exercise its rights or perform its obligations under the terms of the Lease.

10. Notices. Landlord's Notice Address, as defined in the Face Page of the Lease, is hereby deleted in its entirety and the following shall be inserted in lieu thereof:

GPT Stateline Road Owner LP
c/o Gramercy Property Trust
550 Blair Mill Road, Suite 120
Horsham, PA 19044
Attn: Lease Administration

With a required copy to:

GPT Stateline Road Owner LP
c/o Gramercy Property Trust
90 Park Avenue, 32nd Floor
New York, NY 10016
Attn: General Counsel

11. Broker Indemnification. The parties hereto represent and warrant to one another that no broker or agent engaged or contacted by Landlord or Tenant either negotiated or was instrumental in negotiating or consummating this First Amendment except for Jones Lang LaSalle ("Tenant's Broker") and Cushman & Wakefield ("Landlord's Broker"). Landlord and Tenant each hereby agree to indemnify one another against any loss, expense (including reasonable attorneys' fees and costs), cost or liability incurred by a party as a result of a claim by any broker or finder claiming by or through such indemnifying party that such broker or finder was instrumental in negotiating this First Amendment and is due and owing a commission, fee or other payment as a direct result thereof. Tenant's Broker shall be paid by Tenant pursuant to and in accordance with a separate written agreement between Tenant and Tenant's Broker. Landlord's Broker shall be paid by Landlord pursuant to and in accordance with a separate written agreement between Landlord and Landlord's Broker.

12. Entire Agreement. This First Amendment sets forth all covenants, agreements and understandings between Landlord and Tenant with respect to the subject matter hereof, and there are no other covenants, conditions or understandings, either written or oral, between the parties hereto except as set forth in the Lease, as further modified by this First Amendment.

13. Full Force and Effect. Except as expressly amended hereby, all other terms and provisions of the Lease remain unchanged and continue to be in full force and effect.

14. Compliance with Warranties, No Default. The representations and warranties set forth in the Lease as amended hereby shall be true and correct with the same effect as if made on the date of this First Amendment, and no uncured default under the Lease has occurred or is continuing on the date of this First Amendment.

15. Conflicts. The terms of this First Amendment shall control over any conflict between the terms of the Lease and the terms of this First Amendment.

16. Successors and Assigns. This First Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

17. Counterparts. This First Amendment may be executed in multiple counterparts, and each counterpart when fully executed and delivered shall constitute an original instrument, and all such multiple counterparts shall constitute but one and the same instrument. Facsimile copies or copies transmitted by electronic mail shall be treated as originals.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, Landlord and Tenant cause this First Amendment to be duly executed as of the date and year first above written.

LANDLORD:

GPT STATELINE ROAD OWNER LLC,
a Delaware limited liability company

By:	/s/ Britton T. Winterer
Name:	Britton T. Winterer
Title:	Managing Director

TENANT:

PRIORITY FULFILLMENT SERVICES, INC.,
a Delaware corporation

By:	/s/ Cheryl Downing
Name:	Cheryl Downing
Title:	VP Finance

Exhibit 31.1

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

I, Michael Willoughby, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PFSweb, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2017

By: /s/ Michael Willoughby
Chief Executive Officer

Exhibit 31.2

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

I, Tom Madden, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PFSweb, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2017

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

Exhibit 32.1

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 September 30, 2017 (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.

November 9, 2017	/s/ Michael Willoughby Michael Willoughby Chief Executive Officer
November 9, 2017	/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.