PFSWEB INC

FORM 10-Q
(Quarterly Report)

Filed 08/09/17 for the Period Ending 06/30/17

Address	505 MILLENNIUM DRIVE
	ALLEN, TX 75013
Telephone	972-881-2900
CIK	0001095315
Symbol	PFSW
SIC Code	7389 - Business Services, Not Elsewhere Classified
Industry	IT Services & Consulting
Sector	Technology
Fiscal Year	12/31

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

FORM 10-Q

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

For the Quarterly Period Ended June 30, 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 **(State of Incorporation)**	**75-2837058** **(I.R.S. Employer I.D. No.)**
505 Millennium Drive, Allen, Texas **(Address of principal executive offices)**	**75013** **(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 August 4, 2017 there were 18,983,505 shares of registrant's common stock outstanding.

PFSWEB, INC. AND SUBSIDIARIES

Form 10-Q
June 30, 2017

INDEX

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

PFSWEB, INC. AND SUBSIDIARIES

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

	(Unaudited) June 30, 2017	December 31, 2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 19,132	$ 24,425
Restricted cash	215	215
Accounts receivable, net of allowance for doubtful accounts of $564 and $494 at June 30, 2017 and December 31, 2016, respectively	61,656	80,223
Inventories, net of reserves of $496 and $568 at June 30, 2017 and December 31, 2016, respectively	7,734	6,632
Other receivables	5,100	6,750
Prepaid expenses and other current assets	5,440	7,299
Total current assets	99,277	125,544
PROPERTY AND EQUIPMENT, net	26,976	30,264
IDENTIFIABLE INTANGIBLES, net	5,150	6,864
GOODWILL	46,210	46,210
OTHER ASSETS	3,653	2,454
Total assets	$ 181,266	$ 211,336
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt and capital lease obligations	$ 7,833	$ 7,300
Trade accounts payable	44,697	59,752
Deferred revenue	5,345	7,156
Performance-based contingent payments	3,902	2,405
Accrued expenses	25,901	30,360
Total current liabilities	87,678	106,973
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, less current portion	45,912	52,399
DEFERRED REVENUE, less current portion	4,702	4,127
DEFERRED RENT	4,869	4,810
PERFORMANCE-BASED CONTINGENT PAYMENTS, less current portion	—	1,678
OTHER LIABILITIES	2,234	1,066
Total liabilities	145,395	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; 18,946,818 and 18,768,567 shares issued at June 30, 2017 and December 31, 2016, respectively; and 18,913,351 and 18,735,100 outstanding at June 30, 2017 and December 31, 2016, respectively	19	19
Additional paid-in capital	148,519	146,286
Accumulated deficit	(112,769)	(105,317)
Accumulated other comprehensive income (loss)	227	(580)
Treasury stock at cost, 33,467 shares	(125)	(125)
Total shareholders' equity	35,871	40,283
Total liabilities and shareholders' equity	$ 181,266	$ 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 June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
REVENUES:				
Service fee revenue	$ 54,700	$ 51,166	$ 111,965	$ 100,484
Product revenue, net	9,947	11,380	21,265	24,987
Pass-through revenue	13,419	14,653	23,604	26,809
Total revenues	78,066	77,199	156,834	152,280
COSTS OF REVENUES:				
Cost of service fee revenue	35,977	34,381	75,561	66,655
Cost of product revenue	9,505	10,742	20,230	23,644
Cost of pass-through revenue	13,419	14,653	23,604	26,809
Total costs of revenues	58,901	59,776	119,395	117,108
Gross profit	19,165	17,423	37,439	35,172
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES, including stock based compensation of $1,237 and $629 for the three months ended June 30, 2017 and 2016, respectively and $1,761 and $1,396 for the six months ended June 30, 2017 and 2016, respectively	20,735	18,808	42,453	36,358
Loss from operations	(1,570)	(1,385)	(5,014)	(1,186)
INTEREST EXPENSE, net	710	609	1,347	1,094
Loss from operations before income taxes	(2,280)	(1,994)	(6,361)	(2,280)
INCOME TAX EXPENSE, net	316	188	1,091	654
NET LOSS	$ (2,596)	$ (2,182)	$ (7,452)	$ (2,934)
NET LOSS PER SHARE:				
Basic	$ (0.14)	$ (0.12)	$ (0.40)	$ (0.16)
Diluted	$ (0.14)	$ (0.12)	$ (0.40)	$ (0.16)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:				
Basic	18,870	18,627	18,804	18,477
Diluted	18,870	18,627	18,804	18,477
COMPREHENSIVE LOSS:				
Net loss	$ (2,596)	$ (2,182)	$ (7,452)	$ (2,934)
Foreign currency translation adjustment	511	669	807	965
TOTAL COMPREHENSIVE LOSS	$ (2,085)	$ (1,513)	$ (6,645)	$ (1,969)

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

PFSWEB, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (7,452)	$ (2,934)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	7,565	7,403
Amortization of debt issuance costs	76	73
Provision for doubtful accounts	89	18
Provision for excess and obsolete inventory	31	27
Deferred income taxes	240	(9)
Stock-based compensation expense	1,761	1,396
Change in performance-based contingent payments	2,177	(1,768)
Changes in operating assets and liabilities:		
Accounts receivable	19,725	11,930
Inventories	(1,125)	1,205
Prepaid expenses, other receivables and other assets	3,396	4,867
Deferred rent	78	921
Accounts payable, deferred revenue, accrued expenses and other liabilities	(23,139)	(20,012)
Net cash provided by operating activities	3,422	3,117
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(1,975)	(6,553)
Acquisitions, net of cash acquired	—	(8,320)
Net cash used in investing activities	(1,975)	(14,873)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from issuance of common stock	402	1,037
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	(1,678)	(1,415)
Proceeds from (payments on) debt, net	405	(2,492)
Borrowings (payments) on term loan	(1,125)	12,000
Borrowings on revolver	45,619	42,839
Payments on revolver	(49,880)	(35,095)
Net cash provided by (used in) financing activities	(8,517)	6,169
EFFECT OF EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	1,777	498
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,293)	(5,089)
CASH AND CASH EQUIVALENTS, beginning of period	24,425	21,781
CASH AND CASH EQUIVALENTS, end of period	$ 19,132	$ 16,692
SUPPLEMENTAL CASH FLOW INFORMATION		
Non-cash investing and financing activities:		
Property and equipment acquired under long-term debt and capital leases	$ 1,072	$ 1,654

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 June 30, 2017, and for the three and six months ended June 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 June 30, 2017, its results of operations for the three and six months ended June 30, 2017 and 2016 and its cash flows for the six months ended June 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 b een 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 jud gments 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 p osition 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 t he 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 re venue 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 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 infras tructure 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 impl ementation 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 six months ended June 30, 2017. One service fee client relationship represented more than 10% of the Company's consolidated total revenues during the six months ended June 30, 2016. No client exceeded 10% of consolidated accounts receivable as of June 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:

	Six Months Ended June 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	7%	13%
Customer 2	14%	15%
Customer 3	14%	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 $4.1 million and $5.4 million, net of accumulated amortization of approximately $6.6 million and $5.1 million, at June 30, 2017 and December 31, 2016, respectively.

Depreciation and amortization expense related to capital leases during the six months ended June 30, 2017 and 2016 was $1.6 million and $1.4 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 $1.2 million and $0.8 million in the six months ended June 30, 2017 and 2016, respectively. Income taxes of approximately $0.8 million and $0.6 million were paid by the Company in the six months ended June 30, 2017 and 2016, respectively.

Impact of Recently Issued Accounting Standards

Pronouncements Recently Adopted

In March 2016, the Financial Accounting Standards Board (the “FASB”) issued 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 fu ll 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 d eferred 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 adoptin g the standard 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 sta ndard 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. Curren tly 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 pres ents certain revenues, primarily pass-through revenues. During 2017, 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."* The new standard establishes a right-of-use ("ROU") model that requires a lessee to record an ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is currently assessing the 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 evaluating the effect of ASU 2017-04.

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 June 30, 2017), 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 June 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 be nefit 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):

		June 30, 2017		December 31, 2016		Estimated Useful Life from Acquisition
	Fair Value at Acquisition	Accumulated Amortization	Net Carrying Value	Accumulated Amortization	Net Carrying Value	
Developed technology	$ 727	$ (337)	$ 390	$ (145)	$ 582	2.5 years
Customer relationships	1,308	(761)	547	(461)	847	4.5 years
Total definite lived identifiable intangible assets	$ 2,035	$ (1,098)	$ 937	$ (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 Payments, 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 Payments, 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 Earn-outs Payments in restricted shares of Company common stock, based on its current market value at the time of issuance. As of June 30, 2017, the Company had recorded a liability of $3.9 million applicable to the estimated CrossView 2017 Earn-out Payments, which is included in performance-based contingent payment liabilities 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 Earn-out Payments partially offset by an increase in the estimated 2017 CrossView Earn-Out Payments resulting from updated CrossView financial projections for the 2017 earn-out period.

Performance-Based Contingent Payment

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	2,177	(1,609)
As of June 30,	$ 3,902	$ 1,409

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):

	June 30, 2017			
	Fair Value at Acquisition	Accumulated Amortization	Net Carrying Value	Estimated Useful Life from Acquisition
Trade names	$ 1,250	$ (994)	$ 256	2.25 - 2.5 years
Non-compete agreements	575	(421)	154	1- 3.5 years
Leasehold	45	(45)	—	2.5 years
Customer relationships	10,287	(6,159)	4,128	1.6 - 9 years
Developed technology	1,577	(982)	595	2.5-3 years
Other intangibles	493	(476)	17	9 years
Total definite lived identifiable intangible assets	$ 14,227	$ (9,077)	$ 5,150	

Definite Lived Intangible Asset Amortization

For each of the three months ended June 30, 2017 and 2016, amortization expense related to acquired definite lived intangible assets was $0.8 million and for the six months ended June 30, 2017 and 2016, amortization expense was $1.5 million and $1.7 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	$ 1,520
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 June 30,	
	2017	2016
Stock options	1,177	1,232
Performance shares	103	305
Restricted stock units	186	28
Deferred stock units	152	104
Total	1,618	1,669

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 $1.2 million and $0.6 million for the three months ended and $1.8 million and $1.4 million for the six months ended June 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.

O n 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 June 30, 2017, 109,900 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.

O n 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 697,000. 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 $8.2 million and $7.3 million as of June 30, 2017 and December 31, 2016, respectively, as accounts payable in the condensed consolidated balance sheets. As of June 30, 2017, Supplies Distributors had $0.6 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, PFS 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 p eriod, at prime rate plus 0.5% (4.75% as of June 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 six months ended June 30, 2017, the Company was in compliance with all financial cov enants.

8. *DEBT AND CAPITAL LEASE OBLIGATIONS*

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

	June 30, 2017	December 31, 2016
U.S. Credit Agreement		
Revolver	$ 16,564	$ 20,825
Term loan	28,313	29,438
Equipment loan	4,659	3,596
Debt issuance costs	(451)	(525)
Master lease agreements	4,619	6,277
Other	41	88
Total	53,745	59,699
Less current portion of long-term debt	7,833	7,300
Long-term debt, less current portion	$ 45,912	$ 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 June 30, 2017, the Company had $9.6 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 June 30, 2017 and December 31, 2016 , the weighted average interest rate on the revolving loan facility was 4.56% and 3.79%, respectively. As of June 30, 2017 and December 31, 2016, the weighted average interest rate on the term loan facility was 3.91% 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 th e 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 t hat the Company would have the financial ability to repay all of such obligations. As of and for three and six months ended June 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 June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Revenues (in thousands):				
PFSweb	$ 68,445	$ 65,484	$ 135,805	$ 126,474
Business and Retail Connect	14,056	15,130	30,940	33,074
Eliminations	(4,435)	(3,415)	(9,911)	(7,268)
	$ 78,066	$ 77,199	$ 156,834	$ 152,280
Income (loss) from operations (in thousands):				
PFSweb	$ (1,930)	$ (1,817)	$ (5,907)	$ (2,114)
Business and Retail Connect	360	432	893	928
	$ (1,570)	$ (1,385)	$ (5,014)	$ (1,186)
Depreciation and amortization (in thousands):				
PFSweb	$ 3,657	$ 3,794	$ 7,556	$ 7,390
Business and Retail Connect	5	6	9	13
	$ 3,662	$ 3,800	$ 7,565	$ 7,403
Capital expenditures (in thousands):				
PFSweb	$ 1,309	$ 5,186	$ 1,975	$ 6,553
Business and Retail Connect	—	—	—	—
	$ 1,309	$ 5,186	$ 1,975	$ 6,553

	June 30, 2017	December 31, 2016
Assets (in thousands):		
PFSweb	$ 147,691	$ 167,152
Business and Retail Connect	45,116	55,559
Eliminations	(11,541)	(11,375)
	$ 181,266	$ 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 June 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 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 arrange ments 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 t o 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 ap proach. 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 se nior credit facilities.

In general, we provide the Service Fee model through all of our subsidiaries, the Agent (or Flash) model through our PFS 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 June 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 June 30,					For the Six Months Ended June 30,				
				% of Net Revenues					% of Net Revenues	
	2017	2016	Change	2017	2016	2017	2016	Change	2017	2016
Revenues										
Service fee revenue	$ 54.7	$ 51.2	$ 3.5	70.1%	66.3%	$ 112.0	$ 100.5	$ 11.5	71.4%	66.0%
Product revenue, net	9.9	11.4	(1.5)	12.7%	14.7%	21.3	25.0	(3.7)	13.6%	16.4%
Pass-through revenue	13.4	14.7	(1.3)	17.2%	19.0%	23.6	26.8	(3.2)	15.0%	17.6%
Total net revenues	78.0	77.3	0.7	100.0%	100.0%	156.9	152.3	4.6	100.0%	100.0%
Cost of Revenues										
Cost of service fee revenue (1)	36.0	34.4	1.6	65.8%	67.2%	75.6	66.7	8.9	67.5%	66.3%
Cost of product revenue (2)	9.5	10.7	(1.2)	95.6%	94.4%	20.2	23.6	(3.4)	95.1%	94.6%
Pass-through cost of revenue (3)	13.4	14.7	(1.3)	100.0%	100.0%	23.6	26.8	(3.2)	100.0%	100.0%
Total cost of revenues	58.9	59.8	(0.9)	75.5%	77.4%	119.4	117.1	2.3	76.1%	76.9%
Service fee gross profit	18.7	16.8	1.9	34.2%	32.8%	36.4	33.8	2.6	32.5%	33.7%
Product revenue gross profit	0.4	0.7	(0.3)	4.4%	5.6%	1.1	1.4	(0.3)	4.9%	5.4%
Pass-through gross profit	—	—	—	—	—	—	—	—	—	—
Total gross profit	19.1	17.5	1.6	24.5%	22.6%	37.5	35.2	2.3	23.9%	23.1%
Selling General and Administrative expenses	20.7	18.8	1.9	26.6%	24.4%	42.5	36.4	6.1	27.1%	23.9%
Loss from operations	(1.6)	(1.3)	(0.3)	(0.0)	(1.9)%	(5.0)	(1.2)	(3.8)	(3.2)%	(0.8)%
Interest expense, net	0.7	0.7	0.0	0.9%	0.8%	1.4	1.1	0.3	0.9%	0.7%
Loss before income taxes	(2.3)	(2.0)	(0.3)	(3.0)%	(2.6)%	(6.4)	(2.3)	(4.1)	(4.1)%	(1.5)%
Income tax expense, net	0.3	0.2	0.1	0.4%	0.2%	1.1	0.6	0.5	0.7%	0.4%
Net loss	$ (2.6)	$ (2.2)	$ (0.4)	(3.4)%	(2.8)%	$ (7.5)	$ (2.9)	$ (4.6)	(4.8)%	(1.9)%

(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 six months ended June 30, 2017, as compared to the same periods of the prior year, was primarily due to the impact of expanded and new client relationships, including service fee revenues generated by our acquired subsidiary Conexus in June 2016, partially offset by the conclusion or reduction of operations of several client programs that were in effect during the three and six months ended June 30, 2016.

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

	Three Months	Six Months
Period ended June 30, 2016	$ 51.2	$ 100.5
New service contract relationships	10.7	19.1
Change in existing client service fees	(6.2)	(5.8)
Terminated client relationships not included in 2017 revenue	(1.0)	(1.8)
Period ended June 30, 2017	$ 54.7	$ 112.0

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. The new service contract relationships include an aggregate of approximately $0.9 million and $2.1 million of revenue applicable to Conexus in the three and six months ended June 30, 2017. Based on current client projections, we expect the reduction in revenue from terminated client programs to be offset by service fee revenue generated in 2017 by new or expanded client opportunities. For calendar year 2017, we are curre ntly targeting an increase in service fee revenues of approximately 5-10% 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 $1.5 million and $3.7 million, or 12.6% and 14.9% for the three and six months ended June 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 $38 million to $45 million for the calendar year 2017.

Cost of Service Fee Revenue. Service fee gross profit as a percentage of service fees increased to 34.2% in three month period ended June 30, 2017 from 32.8% in the same period of 2016. The improved gross margin is primarily 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 gross profit improvement was partially offset by the impact of several large fulfillment clients implemented subsequent to the June 2016 quarter, which operated at lower than targeted margin performance. Service fee gross profit as a percentage of service fees decreased to 32.5% in six month period ended June 30, 2017 from 33.7% in the same period of 2016. The decrease was primarily due to the impact of the aforementioned several large fulfillment clients implemented subsequent to the June 2016 quarter, which operated at lower than targeted margin performance. Through various initiatives, the Company is targeting to improve the financial performance of its fulfillment operations activity. We successfully exited an underperforming fulfillment client in the quarter ended June 30, 2017, as we have previously noted, while also continuing to focus on higher margin professional services engagements.

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 focused on continuing to increase our level of higher margin service fee activity, including our professional and technology services, to help offset other lower margin activities. In addition, we are targeting to improve the profitability results of the remaining large, new fulfillment solutions implemented in 2016. Based on our currently projected continued growth in the professional services area of our business, including the benefit of our acquisitions, we are projecting our gross profit for 2017 to be in the middle to high end of the above targeted range. Our service fee gross profit will continue to be impacted by the relative proportion of our infrastructure related services versus our professional services activity, as well as project work.

Cost of Product Revenue. Cost of product revenue decreased by $1.2 million, or 11.5%, in the three months ended June 30, 2017, which resulted in a gross profit margin of $0.4 million, or 4.4% of product revenue, for the three months ended June 30, 2017, compared to $0.7 million gross profit margin, or 5.6% of product revenue, for the comparable 2016 period. Cost of product revenue decreased by $3.4 million, or $14.4% in the six months ended June 30, 2017. The resulting gross profit margin was $1.1 million, or 4.9% of product revenue, for the six months ended June 30, 2017 and $1.4 million, or 5.4% of product revenue, for the comparable 2016 period. We currently expect our product revenue gross profit margin to be approximately 5% for calendar year 2017.

Selling, General and Administrative ("SG&A") Expenses . SG&A expenses for the three months ended June 30, 2017 and 2016 were $20.7 million and $18.8 million, respectively. As a percentage of total net revenues, SG&A expenses were 26.6% in the three months ended June 30, 2017 and 24.4% in the corresponding prior year period. The increase in SG&A in the June 2017 period is primarily due to approximately $0.6 million of incremental stock based compensation expense and approximately $0.5 million of incremental costs related to our Conexus business, which was acquired in June 2016, and as a result had a full quarter of activity in the current year and only a partial quarter of activity in the prior year. Acquisition and restructuring related expenses in the June 30, 2017 quarter were $1.1 million, including the impact of revised estimates of certain performance based contingent payments, as compared to $0.9 million in the June 30, 2016 period.

SG&A expenses for the six months ended June 30, 2017 and 2016, were $42.5 million and $36.4 million, respectively. The June 2017 six month period includes $3.7 million of acquisition and restructuring costs, primarily including $2.2 million related to revised higher estimates of certain performance based contingent payments and $1.5 million of severance related costs. The June 2016 six month period included approximately $0.1 million of acquisition and restructuring related costs, primarily including $1.6 million of acquisition related costs for the Conexus acquisition offset by a reduction of $1.8 million related to revised lower estimates of certain performance based contingent payments. Excluding the impact of acquisition and restructuring related costs, SG&A was $38.7 million and $36.3 million for the six months ended June 30, 2017 and 2016, respectively. The remaining increase in the SG&A is primarily due to $1.4 million of incremental SG&A costs for the Conexus business, which we only operated for a partial period in the June 2016 period, and increased stock-based compensation of $0.4 million.

We currently expect our SG&A expenses will continue to incr ease 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 profe ssional services business activity, 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 reduct ion 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 June 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. These cash outflows were partially offset by a decrease in accounts receivable primarily due to decreased business activity in the June quarters as compared to the seasonably higher fourth quarter and a reduction in product revenue. We have historically received an incremental cash flow benefit related to the timing of certain cash collections received from our clients' customers that are then later remitted to our clients. Beginning in the September 2017 quarter, we expect this benefit to be reduced due to a modification with one of our clients regarding the timing of such remittances.

In each of the periods ended June 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 will also be amortized over the underlying lease term. Also in the six months ended June 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 $6.6 million in the six months ended June 30, 2017 compared to aggregate net cash proceeds from debt of $15.8 million during the six months ended June 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 $8 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 six months ended June 30, 2017 our working capi tal decreased to $11.6 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, inc luding sale of collateral. An acceleration of the repayment of our credit facility obligations may have a material adverse impact on our financial condition and results of operations. We can provide no assurance we will have the financial ability to repay all such obligations. As of June 30, 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 continge nt 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 ser vices 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 June 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 $9.6 million as of June 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. C ontrols and Procedures

Disclosure Controls and Procedures

We maintain a comprehensive set of disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 ("Exchange Act"). As of June 30, 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 June 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. O THER 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 June 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 $62.0 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 reduction in the Ricoh business may have a material adverse effect on Supplies Distributors' business and may adversely affect our overall financial condition.

Sales by Supplies Distributors three customers accounted for approximately 35% of Supplies Distributors' total product revenue for the six months ended June 30, 2017 and 5% 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 June 30, 2017, we have issued an aggregate of (i) 1,177,000 stock options outstanding to employees, directors and others with a weighted average exercise price of $7.65 per share (ii) 103,000 performance shares of common stock that may vest, subject to satisfaction of vesting conditions, over the next one to two years, (iii) 186,000 restricted stock units that may vest subject to satisfaction of vesting conditions over the next three years, and (iv) 152,000 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 defer red 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. E xhibits

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*	Form of 2017 STI Company Performance Based Cash Award
10.2*	Form of 2017 STI Company Performance Based Share Award
10.3*	Form of 2017 LTI Time Based Restricted Stock Unit Award
10.4*	Form of 2017 LTI Non- Executive Time and Performance Based Restricted Stock Unit Award
10.5*	Form of 2017 LTI TSR Executive Performance Based Share Award
31.1*	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certifications of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.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 ref erence 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: August 9, 2017

PFSweb, Inc.

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

Exhibit 10.1

2017 STI COMPANY PERFORMANCE-BASED CASH AWARD

THIS 2017 STI COMPANY PERFORMANCE-BASED CASH AWARD (this "Agreement") is made and entered into as of the ___ day of ____, 2017 (the "Grant Date") by and between the employee named in the Award Certificate attached hereto (the "Employee") and PFSweb, Inc., a Delaware corporation (the "Company"), and is issued under and pursuant to the PFSweb, Inc., 2005 Employee Stock and Incentive Plan, as the same may be amended from time to time (the "Plan;" terms defined in the Plan having the same meaning when used herein, except as otherwise defined herein).

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

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

" Adjusted EBITDA " shall mean the amount determined by the Committee as the Company's "Adjusted EBITDA" for Fiscal Year 2017 (which, for the avoidance of doubt, shall be determined prior to recognition of this Award or other cash Awards for Fiscal 2017 or amounts payable under the Company's director level bonus program for Fiscal 2017).

" Adjusted EBITDA Bonus " shall mean the Performance-Based Cash Award payable to the Employee in respect of Fiscal Year 2017 upon the achievement of the corresponding Adjusted EBITDA Bonus Target as set forth in the individual Award Certificate issued by the Company to the Employee.

" Adjusted EBITDA Bonus Target " shall mean Adjusted EBITDA for Fiscal Year 2017 being in the range so designated as set forth in the individual Award Certificate issued by the Company to the Employee.

" Bonus Target " shall mean the Adjusted EBITDA Bonus Target and the Revenue Bonus Target, individually and collectively.

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

" Fiscal Year " shall mean the 12-consecutive-month period beginning on January 1 and ending on December 31, so that, by way of example, Fiscal Year 2017 shall mean the 12-consecutive-month period beginning on January 1, 2017 and ending on December 31, 2017.

" Fiscal Year Date " shall mean December 31, 2017.

" Revenue " shall mean the amount determined by the Committee as the Company's "Service Fee Equivalent Revenue" for Fiscal Year 2017.

" Revenue Bonus " shall mean the Performance-Based Cash Award payable to the Employee in respect of Fiscal Year 2017 upon the achievement of the corresponding Revenue Bonus Target as set forth in the individual Award Certificate issued by the Company to the Employee.

"Revenue Bonus Target" shall mean Revenue for Fiscal Year 2017 being in the range so designated as set forth in the individual Award Certificate issued by the Company to the Employee.

2. Performance-Based Cash Award. The amount of the Performance-Based Cash Award payable to the Employee hereunder shall be determined based upon the achievement of the Adjusted EBITDA Bonus Target and/or the Revenue Bonus Target, as applicable, as set forth in the Award Certificate issued to the Employee hereunder.

3. Determination of Target Achievement. The Committee, in its sole and absolute discretion, shall determine when, whether, and if so, the extent to which, the Bonus Target, as applicable, has been achieved. Such determination, which shall be final and binding on all parties, shall be certified in writing as soon as administratively practicable in Fiscal Year 2018.

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

5. Adjustment of Performance-Based Cash Award. If the Employee's employment by the Company is terminated between the Grant Date and the Fiscal Year Date without Cause or as the result of the Grantee's death or Disability, or if the Employee's employment by the Company is terminated by the Employee for Good Reason, the Employee shall be entitled to payment of a portion of the Performance-Based Cash Award equal to the amount of the Performance-Based Cash Award which the Employee would have received hereunder, if any, subject to and based upon the achievement of the Bonus Target, multiplied by a fraction, the numerator of which is the number of days in Fiscal Year 2017 in which the Employee is employed by the Company and the denominator of which is 365.

6. Payment of Performance-Based Cash Award. Payment of the Performance-Based Cash Award shall be made in a single lump sum in cash, less all applicable withholdings, as soon as practicable following the certification by the Committee set forth in Section 4 above. In no event shall payment of the Performance-Based Cash Award be made later than the last day of Fiscal Year 2018.

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

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

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

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

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

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

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

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

15. Execution and Counterparts. This Agreement shall be deemed executed and delivered by the parties upon the execution of the individual Award Certificate issued to the Employee in connection herewith, which Award Certificate shall be executed by an authorized officer of the Company and may be exec uted in any number of counterparts, each of which shall be deemed an original, and shall be effective when a counterpart thereof has been received from both parties.

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2017 STI COMPANY PERFORMANCE-BASED CASH AWARD CERTIFICATE
ISSUED UNDER THE
PFSWEB, INC. 2005 EMPLOYEE STOCK AND INCENTIVE PLAN

Employee Name: .

Adjusted EBITDA Bonus Target ($000)	Adjusted EBITDA Bonus ($)	Revenue Bonus Target ($000)	Revenue Bonus ($)

This 2017 STI Company Performance-Based Cash Award Certificate is issued, dated and effective as of ______, 2017.

Employee:

____
Signature

____
Print Name

PFSweb, Inc.

By:
Name:
Title:

Exhibit 10.2

2017 STI COMPANY PERFORMANCE-BASED SHARE AWARD

THIS 2017 STI COMPANY PERFORMANCE-BASED SHARE AWARD (this "Agreement") is made and entered into as of the ___ day of ____, 2017 (the "Grant Date") by and between the employee named on the Award Certificate attached hereto (the "Employee") and PFSweb, Inc., a Delaware corporation (the "Company"), and is issued under and pursuant to the PFSweb, Inc., 2005 Employee Stock and Incentive Plan, as the same may be amended from time to time (the "Plan;" terms defined in the Plan having the same meaning when used herein, except as otherwise defined herein).

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

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

" Adjusted EBITDA " shall mean the amount determined by the Committee as the Company's "Adjusted EBITDA" for Fiscal Year 2017 (which, for the avoidance of doubt, shall be determined prior to recognition of this Award or other cash Awards for Fiscal 2017 or amounts payable under the Company's director level bonus program for Fiscal 2017).

" Adjusted EBITDA Bonus " shall mean the Performance-Based Share Award issuable to the Employee in respect of Fiscal Year 2017 upon the achievement of the corresponding Adjusted EBITDA Bonus Target as set forth in the individual Award Certificate issued by the Company to the Employee.

" Adjusted EBITDA Bonus Target " shall mean Adjusted EBITDA for Fiscal Year 2017 being in the range so designated as set forth in the individual Award Certificate issued by the Company to the Employee.

" Bonus Target " shall mean the Adjusted EBITDA Bonus Target and the Revenue Bonus Target, individually and collectively.

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

" Fiscal Year " shall mean the 12-consecutive-month period beginning on January 1 and ending on December 31, so that, by way of example, Fiscal Year 2017 shall mean the 12-consecutive-month period beginning on January 1, 2017 and ending on December 31, 2017.

" Fiscal Year Date " shall mean December 31, 2017.

" Revenue " shall mean the amount determined by the Committee as the Company's "Service Fee Equivalent Revenue" for Fiscal Year 2017.

"Revenue Bonus" shall mean the Performance-Based Share Award issuable to the Employee in respect of Fiscal Year 2017 upon the achievement of the corresponding Revenue Bonus Target as set forth in the individual Award Certificate issued by the Company to the Employee.

"Revenue Bonus Target" shall mean Revenue for Fiscal Year 2017 being in the range so designated as set forth in the individual Award Certificate issued by the Company to the Employee.

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

3. Determination of Target Achievement. The Committee, in its sole and absolute discretion, shall determine when, whether, and if so, the extent to which, the Bonus Target, as applicable, has been achieved. Such determination, which shall be final and binding on all parties, shall be certified in writing as soon as administratively practicable in Fiscal Year 2018.

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

5. Adjustment of Performance-Based Share Award. If the Employee's employment by the Company is terminated between the Grant Date and the Fiscal Year Date without Cause or as the result of the Employee's death or Disability, or if the Employee's employment by the Company is terminated by the Employee for Good Reason, the Employee shall be entitled to issuance of a portion of the Performance-Based Share Award equal to the amount of the Performance-Based Share Award which the Employee would have received hereunder, if any, subject to and based upon the achievement of the Bonus Target, multiplied by a fraction, the numerator of which is the number of days in Fiscal Year 2017 in which the Employee is employed by the Company and the denominator of which is 365.

6. Issuance of Performance-Based Share Award. Issuance of the Performance-Based Share Award shall be made as soon as practicable following the certification by the Committee set forth in Section 4 above, by the issuance of one or more stock certificates in the name of the Employee or by using a book entry account with the Company's transfer agent. In no event shall issuance of the Performance-Based Share Award be made later than the last day of Fiscal Year 2018.

7. Provisions of Plan.

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

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

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

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

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

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

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

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

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

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

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

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

16. Execution and Counterparts. This Agreement shall be deemed executed and delivered by the parties upon the execution of the individual Award Certificate issued to the Employee in connection herewith, which Award Certificate shall be executed by an authorized officer of the Company and may be executed in any number of counterparts, each of which shall be deemed an original, and shall be effective when a counterpart thereof has been received from both parties.

*****

2017 STI COMPANY PERFORMANCE-BASED SHARE AWARD CERTIFICATE
ISSUED UNDER THE
PFSWEB, INC. 2005 EMPLOYEE STOCK AND INCENTIVE PLAN

Employee Name: .

Adjusted EBITDA Bonus Target ($000)	Adjusted EBITDA Bonus (# of Shares)	Revenue Bonus Target ($000)	Revenue Bonus (# of Shares)

This Company Performance-Based Share Award Certificate is issued, dated and effective as of _____, 2017.

Employee: **PFSweb, Inc.**

_________________________________ By:
Signature Name:
Title:

____
Print Name

Exhibit 10.3

2017 LTI TIME BASED RESTRICTED STOCK UNIT AWARD

THIS 2017 LTI TIME BASED RESTRICTED STOCK UNIT AWARD (this "Agreement") is made and entered into as of the ___ day of ____, 2017 (the "Grant Date") by and between the individual whose name appears on the Award Certificate attached hereto (the "Employee") and PFSweb, Inc., a Delaware corporation (the "Company"), and is issued under and pursuant to the PFSweb, Inc. 2005 Employee Stock and Incentive Plan, as the same may be amended from time to time (the "Plan;" terms defined in the Plan having the same meaning when used herein, except as otherwise defined herein).

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

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

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

" Fiscal Year " shall mean the 12-consecutive-month period beginning on January 1 and ending on December 31, so that, by way of example, Fiscal Year 2017 shall mean the 12-consecutive-month period beginning on January 1, 2017 and ending on December 31, 2017.

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

" Vesting Date " shall mean each of December 31, 2017, December 31, 2018 and December 31, 2019, as applicable or as the context may require.

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

Vesting Date/Fiscal Year	**Number of Vested Restricted Stock Units**
December 31, 2017	33.33% of the number of Restricted Stock Units
December 31, 2018	33.33% of the number of Restricted Stock Units
December 31, 2019	33.34% of the number of Restricted Stock Units

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

4. **Additional Vesting Provisions** .

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

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

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

5. **Settlement of Restricted Stock Units** .

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

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

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

(d) The Employee shall have no rights in, to or under the shares of Stock to be issued upon the vesting of the Restricted Stock Units unle ss and until the vesting conditions set forth herein are satisfied and, until such date, shall have no rights of a shareholder of the Company including, without limitation, no right to vote such shares and no right to receive any dividends or other distributions paid with respect to such shares.

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

6. Provisions of Plan .

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

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

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

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

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

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

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

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

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

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

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

15. Section 409A of the Code . If the Employee is deemed a "specified employee" within the meaning of Section 409A of the Code, as determined by the Committee, at a time when the Employee becomes eligible for settlement of the Restricted Stock Units upon his/her "separation from service" within the meaning of Section 409A of the Code, then to the extent necessary to prevent any accelerated or additional tax under Section 409A of the Code, such settlement will be delayed until the earlier of: (i) the date that is six months following the Employee's separation from service and (ii) the Employee's death. It is the intent that this Restricted Stock Unit Award shall comply with the requirements of

Section 409A, and any ambiguities herein will be interpreted to so comply. The Company reserves the right, to the extent the Company deems necessary or advisable in its sole discretion, to unilaterally amend or modify this Agreement as may be necessary to ensure that all vesting or payouts provided under this Agreement are made in a manner that complies with Section 4 09A or to mitigate any additional tax, interest and/or penalties or other adverse tax consequences that may apply under Section 409A if compliance is not practical; provided, however, that nothing in this paragraph creates an obligation on the part of the Company to modify the terms of this Agreement or the Plan, and the Company makes no representation that the terms of this Restricted Stock Unit Award Agreement will comply with Section 409A or that payments under this Restricted Stock Unit Award Agreement will not be subject to taxes, interest and penalties or other adverse tax consequences under Section 409A. In no event shall the Company or any of its Subsidiaries be liable to any party for any additional tax, interest or penalties that may be imposed on the Employee by Section 409A or any damages for failing to comply with Section 409A.

16. Execution and Counterparts . This Agreement shall be deemed executed and delivered by the parties upon the execution of the individual Award Certificate issued to the Employee in connection herewith, which Award Certificate shall be executed by an authorized officer of the Company and may be executed in any number of counterparts, each of which shall be deemed an original, and shall be effective when a counterpart thereof has been received from both parties.

*****

2017 LTI TIME BASED RESTRICTED STOCK UNIT AWARD CERTIFICATE
ISSUED UNDER THE
PFSWEB, INC. 2005 EMPLOYEE STOCK AND INCENTIVE PLAN

1. Employee Name: .

2. Number of Restricted Stock Units: ____.

This 2017 LTI Time Based Restricted Stock Unit Award Certificate is issued, dated and effective as of the date set forth below.

Date: ____ , 2017

Employee:	**PFSweb, Inc.**
___________________________________	By:
Signature	Name:
	Title:
___________________________________	
Print Name	

Exhibit 10.4

2017 LTI NON-EXECUTIVE TIME AND PERFORMANCE-BASED RESTRICTED STOCK UNIT AWARD

THIS 2017 LTI NON-EXECUTIVE TIME AND PERFORMANCE-BASED RESTRICTED STOCK UNIT AWARD (this "Agreement") is made and entered into as of the ___ day of ____, 2017 (the "Grant Date") by and between the individual whose name appears on the Award Certificate attached hereto (the "Employee") and PFSweb, Inc., a Delaware corporation (the "Company"), and is issued under and pursuant to the PFSweb, Inc. 2005 Employee Stock and Incentive Plan, as the same may be amended from time to time (the "Plan;" terms defined in the Plan having the same meaning when used herein, except as otherwise defined herein).

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

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

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

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

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

" Fiscal Year " shall mean the 12-consecutive-month period beginning on January 1 and ending on December 31, so that, by way of example, Fiscal Year 2017 shall mean the 12-consecutive-month period beginning on January 1, 2017 and ending on December 31, 2017.

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

" Vesting Date " shall mean each of December 31, 2017, December 31, 2018 and December 31, 2019, as applicable or as the context may require.

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

Vesting Date/Fiscal Year	**Number of Vested Restricted Stock Units**
December 31, 2017	33.33% of the number of Restricted Stock Units
December 31, 2018	33.33% of the number of Restricted Stock Units
December 31, 2019	33.34% of the number of Restricted Stock Units

If the Base Bonus Target is not achieved for any applicable Fiscal Year, the unvested portion of the Restricted Stock Unit Award shall not vest for such Fiscal Year. Subject to the Employee retaining his/her Continuous Status as a Participant through the applicable Vesting Date, failure to achieve the Base Bonus Target for any Fiscal Year, shall not affect any subsequent Fiscal Year – e.g., if the Company achieves the Base Bonus Target for the 2017 Fiscal Year and the 2019 Fiscal Year, but fails to achieve the Base Bonus Target for the 2018 Fiscal Year, then, subject to the Employee retaining his/her Continuous Status as a Participant through the applicable Vesting Date, 33.33% of the Restricted Stock Units will vest for the 2017 Fiscal Year and 33.34% of the Restricted Stock Units will vest for the 2019 Fiscal Year.

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

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

5. Additional Vesting Provisions .

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

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

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

6. Settlement of Restricted Stock Units .

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

(b) Subject to the provisions hereof, no later than the last day of Fiscal Year following the applicable Vesting Date, the Company shall (i) issue and deliver to the Employee the number of shares of Stock equal t o the number of vested Restricted Stock Units (rounded up to the nearest whole share); and (ii) enter the Employee's name on the books of the Company as the shareholder of record with respect to the shares of Stock delivered to the Employee. Notwithstanding the foregoing, but subject to the provisions of Section 16 below, any shares of Stock to be issued in settlement of Restricted Stock Units (i) under Section 5(a) or (b) above shall be issued no later than March 15 following the last day of the Fiscal Year in which the Employee (or heirs or estate thereof) is deemed vested therein, and (ii) under Section 5(c) above shall be issued no later than such time as may be necessary or required in order for the Employee to be deemed the lawful owner and holder of record of the shares of Stock to be issued thereunder as of the effective date and time of the Change in Control.

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

(d) The Employee shall have no rights in, to or under the shares of Stock to be issued upon the vesting of the Restricted Stock Units unless and until the vesting co nditions set forth herein are satisfied and, until such date, shall have no rights of a shareholder of the Company including, without limitation, no right to vote such shares and no right to receive any dividends or other distributions paid with respect to such shares.

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

7. Provisions of Plan .

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

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

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

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

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

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

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

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

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

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

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

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

17. Execution and Counterparts. This Agreement shall be deemed executed and delivered by the parties upon the execution of the individual Award Certificate issued to the Employee in connection herewith, which Award Certificate shall be executed by an authorized officer of the Company and may be executed in any number of counterparts, each of which shall be deemed an original, and shall be effective when a counterpart thereof has been received fr om both parties.

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2017 LTI NON-EXECUTIVE TIME AND COMPANY PERFORMANCE-BASED RESTRICTED STOCK UNIT AWARD CERTIFICATE
ISSUED UNDER THE
PFSWEB, INC. 2005 EMPLOYEE STOCK AND INCENTIVE PLAN

1. Employee Name: .

2. Number of Rest ricted Stock Units: ____.

This 2017 LTI Non-Executive Time and Company Performance-Based Restricted Stock Unit Award Certificate is issued, dated and effective as of the date set forth below.

Date: _____ , 2017

Employee:	**PFSweb, Inc.**
___________________________________ Signature	By: Name: Title:
___________________________________ Print Name	

Exhibit 10.5

2017 LTI TSR EXECUTIVE PERFORMANCE SHARE AWARD AGREEMENT

This Agreement (this " **Agreement** ") is made and entered into as of _____, 2017 (the " **Grant Date** ") by and between PFSWEB, INC., a Delaware corporation (the " **Company** ") and the individual identified as the Grantee on the signature page hereof (the " **Grantee** ").

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

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

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

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

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

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

" **Annual Performance Period** " means, as applicable (i) the period from the Grant Date to December 31, 2017 (the " **First Performance Period** "), (ii) the period from January 1, 2018 to December 31, 2018 (the " **Second Performance Period** "), and (iii) the period from January 1, 2019 to December 31, 2019 (the " **Third Performance Period** ").

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

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

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

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

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

“ **Cumulative Performance Period** ” means, as applicable (i) the period from the Grant Date to December 31, 2018, and (ii) the period from the Grant Date to December 31, 2019.

“ **Fiscal Year** ” shall mean the 12-consecutive-month period beginning on January 1 and ending on December 31, so that, by way of example, Fiscal Year 2017 shall mean the 12-consecutive-month period beginning on January 1, 2017 and ending on December 31, 2017.

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

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

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

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

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

For purposes of computing TSR:

(a) The stock price at the beginning of the Performance Period will be (i) for the First Performance Period, the closing price on March 30, 2017, (ii) for the Second Performance Period, the simple arithmetic average of the daily closing price of a share of common stock over the 20 consecutive trading days ending on the last trading day of the First Performance Period, and (iii) for the Third Performance Period, the simple arithmetic average of the daily closing price of a share of common stock over the 20 consecutive trading days ending on the last trading day of the Second Performance Period.

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

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

2.1 The number of Performance S hares which vest for each Annual Performance Period shall be determined by the following formula: (number of Target Shares)(1/3)(Annual Percentage)(Award Percentage for such Annual Performance Period).

2.2 The number of Performance Shares which vest for e ach Cumulative Performance Period shall be determined by the following formula: (number of Target Shares)(1/2)(Cumulative Percentage)(Award Percentage for such Cumulative Performance Period).

2.3 Each Performance Share Award represents the right to receiv e one share of Common Stock, subject to the terms and conditions set forth in this Agreement and the Plan. Prior to settlement of any vested Performance Share Award, such Performance Shares will represent an unsecured obligation of the Company, payable (if at all) only from the general assets of the Company. The Company's obligations under this Agreement shall be unfunded and unsecured, and no special or separate fund shall be established and no other segregation of assets shall be made and the Grantee shall have no greater rights than an unsecured general creditor of the Company. This Performance Share Award and any Common Stock issued hereunder are intended to be "qualified performance-based compensation" within the meaning of Section 162(m) of the Code.

3. Vesting .

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

3.2 The foregoing vesting schedule notwithstanding:

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

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

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

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

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

5. No Rights as Shareholder; No Dividends.

5.1 The Grantee shall have no rights in, to or under the shares of Stock to be issued upon the vesting of the Performance Shares unless and until the vesting conditions set forth herein are satisfied and, until such date, shall have no rights of a shareholder of the Company including, without limitation, no right to vote such shares and no right to receive any dividends or other distributions paid with respect to such shares.

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

6. Provisions of Plan .

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

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

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

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

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

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

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

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

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

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

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

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

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

17. Execution and Counterparts. This Agreement shall be deemed executed and delivered by the parties upon the execution of the individual Award Certificate issued to the Grantee in connection herewith, which Award Certificate shall be executed by an authorized officer of the Company and may be executed in any number of counterparts, each of which shall be deemed an original, and shall be effective when a counterpart thereof has been received from both parties.

[next page is signature page]

SIGNATURE PAGE TO 2017 LTI TSR EXECUTIVE PERFORMANCE SHARE AWARD AGREEMENT

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

PFSweb, Inc.

By:
Michael Willoughby
Chief Executive Officer

Signature of Grantee

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: August 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: August 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 June 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.

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