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**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

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**FORM 8-K**

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**CURRENT REPORT**

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

**DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED): August 9, 2012**

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**PFSweb, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(STATE OR OTHER JURISDICTION  
OF INCORPORATION)

**000-28275**  
(COMMISSION  
FILE NUMBER)

**75-2837058**  
(IRS EMPLOYER  
IDENTIFICATION NO.)

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

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

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

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

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

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

On August 9, 2012, PFSweb, Inc. issued a press release announcing its financial results for the quarter ended June 30, 2012. Attached to this current report on Form 8-K is a copy of the related press release dated August 9, 2012. The information in this Report on Form 8-K, and the exhibit hereto, shall not be deemed “filed” for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that Section.

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release Issued August 9, 2012

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**PFSweb, Inc.**

Dated: August 13, 2012

By: /s/ Thomas J. Madden

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



FOR IMMEDIATE RELEASE

Contact:  
 Mark C. Layton  
 Chief Executive Officer  
 or Thomas J. Madden  
 Chief Financial Officer  
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**PFSweb Reports 35% Service Fee Revenue Growth in Second Quarter of 2012  
 Compared to Prior Year**

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*Adjusted EBITDA increases 160% compared to prior year*

*PFSweb Increases Fiscal 2012 Adjusted EBITDA Guidance to \$9-11 Million*

**Allen, Texas, August 9, 2012** — **PFSweb, Inc. (Nasdaq: PFSW)**, an international provider of end-to-end web commerce solutions, today announced its financial results for the second quarter ended June 30, 2012.

“We believe PFSweb is now widely considered one of the leading experts in the eCommerce market and has become an integral part of the growth and success of some of the world’s leading consumer brands,” stated Mark Layton, Chairman and Chief Executive Officer of PFSweb. “Our growth proves our ability to both attract new clients and become a significant part of their eCommerce strategy. In addition to offering global reach and a scalable platform that is able to support our clients’ brands, we expect to enhance our positioning within the market even further through the rollout of an expanded multi-platform service offering. This expansion of our End2End eCommerce solution provides the opportunity for PFSweb to generate higher margin revenue streams as we enter a whole new level of services for our clients and expand our reach across all channels and customer touch points.”

“We increased Service Fee revenue for the second quarter of 2012 by 35% to \$28.4 million as compared to same period in 2011,” continued Mr. Layton. “This growth was driven by increased activity among our approximately 65 eCommerce client programs including new and existing client brands. During the past several months, we launched and ramped up several new client End2End eCommerce solutions, for leading brands such as Gerber Childrenswear, Elizabeth Arden and Gore.”

**Summary of consolidated results for the second quarter ended June 30, 2012:**

- Service Fee revenue increased 35% to \$28.4 million, compared to \$21.0 million for the same period in 2011; Service Fee Equivalent revenue (as defined) increased 25% to \$30.5 million, compared to \$24.4 million for the same period in 2011;
- Total revenue increased to \$68.8 million, compared to \$68.0 million for the second quarter of 2011;

- Adjusted EBITDA (as defined) increased 160% to \$2.8 million, compared to \$1.1 million for the same period in 2011;
- Net loss was \$0.5 million, or \$0.04 per basic and diluted share, compared to a net loss of \$1.2 million, or \$0.10 per basic and diluted share, for the second quarter of 2011. Net loss for the second quarter of 2012 included approximately \$0.3 million of relocation related costs, which were reflected in selling, general and administrative expenses;
- Non-GAAP net income (as defined) was \$0.2 million, or \$0.01 per basic and diluted share, compared to a non-GAAP net loss of \$0.8 million, or \$0.07 per basic and diluted share, for the quarter ended June 30, 2011;

**Summary of consolidated results for the six months ended June 30, 2012:**

- Service Fee revenue increased 42% to \$56.8 million, compared with \$39.9 million for the six months ended June 30, 2011. Service Fee Equivalent revenue (as defined) increased 34% to \$61.8 million, compared to \$46.1 million for the same period in 2011;
- Total revenue was \$143.3 million compared to \$140.4 million for the six months ended June 30, 2011;
- Adjusted EBITDA (as defined) was \$5.4 million compared to \$1.5 million for the six months ended June 30, 2011;
- Net loss was \$1.8 million, or \$0.14 per basic and diluted share, compared to a net loss of \$3.5 million or \$0.28 per basic and diluted share, for the six months ended June 30, 2011. Net loss for the six months ended June 30, 2012 included approximately \$0.9 million of relocation related costs, and \$0.5 million of lease termination costs that were reflected in selling, general and administrative expenses. Net loss for the first six months of 2011 included a \$0.6 million loss from discontinued operations related to eCOST.com;
- Non-GAAP net income was \$0.2 million, or \$0.02 per basic and diluted share, compared to a non-GAAP net loss of \$2.2 million, or \$0.18 per basic and diluted share, for the six months ended June 30, 2011.

“The strong Service Fee revenue growth for the second quarter of 2012, combined with an ongoing focus on costs, resulted in a 160% increase in Adjusted EBITDA to \$2.8 million,” Mr. Layton continued. “In addition, several of the client programs that we expected to conclude or significantly reduce operations in 2012, have extended their programs into late-2012 and 2013. As a result of these extensions and other client activity, we are increasing our 2012 guidance for consolidated Adjusted EBITDA to approximately \$9 million to \$11 million. While we are pleased with these extensions, we still expect that approximately \$5 million of this quarter’s service fee revenue will not continue after this year. We continue to target growth from new clients and are focusing on operational efficiencies to mitigate this impact.”

**Conference Call Information**

Management will host a conference call at 11:00 am Eastern Time (10:00 am Central Time) on Thursday, August 9, 2012, to discuss the latest corporate developments and results. To listen to the call, please dial (888) 562-3356 and enter the pin number 11911131 at least five minutes before the scheduled start time. Investors can also access the call in a “listen only” mode via the Internet at the Company’s website, [www.pfsweb.com](http://www.pfsweb.com) or [www.kcsa.com](http://www.kcsa.com). Please allow extra time prior to the call to visit the site and download any necessary audio software.

A digital replay of the conference call will be available through September 9, 2012 at (855) 859-2056, pin number 11911131. The replay also will be available at the Company's website for a limited time.

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

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

Non-GAAP net income (loss) represents net income (loss) calculated in accordance with U.S. GAAP as adjusted for the impact of non-cash stock-based compensation expense, income (loss) from discontinued operations, lease termination costs and certain move related expenses.

EBITDA represents earnings (or losses) before income (loss) from discontinued operations, interest, income taxes, depreciation, and amortization. Adjusted EBITDA further eliminates the effect of stock-based compensation, lease termination costs and certain move related expenses.

Service Fee Equivalent Revenue represents service fee revenue plus the gross profit earned on product revenue.

Non-GAAP net income (loss), EBITDA, Adjusted EBITDA and Service Fee Equivalent Revenue are used by management, analysts, investors and other interested parties in evaluating our operating performance compared to that of other companies in our industry. The calculation of non-GAAP net income (loss) eliminates the effect of stock-based compensation, income (loss) from discontinued operations, lease termination costs and certain move related expenses and EBITDA and Adjusted EBITDA further eliminate the effect of financing, income taxes and the accounting effects of capital spending, which items may vary from different companies for reasons unrelated to overall operating performance. Service Fee Equivalent Revenue allows client contracts with similar operational support models but different financial models to be combined as if all contracts were being operated on a service fee revenue basis.

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

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

Iconic brands engage PFSweb to enable their eCommerce initiatives. PFSweb's End2End eCommerce® solution includes interactive marketing services, robust eCommerce technology, global fulfillment and logistics, high-touch customer care, financial services, and order management. PFSweb's eCommerce solutions provide international reach and expertise in both direct-to-consumer and business-to-business initiatives, supporting organizations across multiple industries, including Procter & Gamble, L'Oreal, LEGO, Columbia Sportswear, Sorel, Carter's, Lucky Brand Jeans, kate spade new york, Juicy Couture, AAFES, Riverbed, Ricoh, Hawker Beechcraft Corp, Roots Canada Ltd. and Xerox. PFSweb is headquartered in Allen, TX with additional locations in Tennessee, Mississippi, Canada, Belgium, and the Philippines.

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

*The matters discussed herein consist of forward-looking information under the Private Securities Litigation Reform Act of 1995 and is subject to and involves risks and uncertainties, which could cause actual results to differ materially from the forward-looking information. PFSweb's Annual Report on Form 10-K for the year ended December 31, 2011 and 10-Q for the period ended March 31, 2012 identify certain factors that could cause actual results to differ materially from those projected in any forward looking statements made and investors are advised to review the Annual and Quarterly Reports and the Risk Factors described therein. PFSweb undertakes no obligation to update publicly any forward-looking statement for any reason, even if new information becomes available or other events occur in the future. There may be additional risks that we do not currently view as material or that are not presently known.*

(Financial Tables Below)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
<b>REVENUES:</b>				
Product revenue, net	\$29,557	\$38,799	\$ 64,282	\$ 84,082
Service fee revenue	28,384	20,970	56,762	39,870
Pass-thru revenue	10,819	8,239	22,228	16,445
Total revenues	<u>68,760</u>	<u>68,008</u>	<u>143,272</u>	<u>140,397</u>
<b>COSTS OF REVENUES:</b>				
Cost of product revenue	27,397	35,411	59,253	77,877
Cost of service fee revenue	20,340	15,795	41,599	29,578
Cost of pass-thru revenue	10,819	8,239	22,228	16,445
Total costs of revenues	<u>58,556</u>	<u>59,445</u>	<u>123,080</u>	<u>123,900</u>
Gross profit	10,204	8,563	20,192	16,497
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b>				
Loss from operations	(56)	(867)	(968)	(2,221)
<b>INTEREST EXPENSE, NET</b>				
Loss before income taxes	(314)	(1,137)	(1,490)	(2,682)
<b>INCOME TAX PROVISION</b>				
LOSS FROM CONTINUING OPERATIONS	(508)	(1,232)	(1,793)	(2,912)
<b>INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX</b>				
NET LOSS	<u>\$ (508)</u>	<u>\$ (1,218)</u>	<u>\$ (1,793)</u>	<u>\$ (3,501)</u>
<b>NON-GAAP INCOME (LOSS)</b>				
NET LOSS PER SHARE:	<u>\$ 152</u>	<u>\$ (833)</u>	<u>\$ 229</u>	<u>\$ (2,203)</u>
Basic	<u>\$ (0.04)</u>	<u>\$ (0.10)</u>	<u>\$ (0.14)</u>	<u>\$ (0.28)</u>
Diluted	<u>\$ (0.04)</u>	<u>\$ (0.10)</u>	<u>\$ (0.14)</u>	<u>\$ (0.28)</u>
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:</b>				
Basic	<u>12,783</u>	<u>12,567</u>	<u>12,774</u>	<u>12,418</u>
Diluted	<u>12,783</u>	<u>12,567</u>	<u>12,774</u>	<u>12,418</u>
<b>EBITDA</b>				
ADJUSTED EBITDA	<u>\$ 2,134</u>	<u>\$ 676</u>	<u>\$ 3,364</u>	<u>\$ 817</u>
	<u>\$ 2,794</u>	<u>\$ 1,075</u>	<u>\$ 5,386</u>	<u>\$ 1,526</u>

(A) The financial data above should be read in conjunction with the audited consolidated financial statements of PFSweb, Inc. included in its Form 10-K for the year ended December 31, 2011.



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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
<b>NET LOSS</b>	\$ (508)	\$ (1,218)	\$ (1,793)	\$ (3,501)
Loss (income) from discontinued operations, net of tax	—	(14)	—	589
Income tax expense	194	95	303	230
Interest expense	258	270	522	461
Depreciation and amortization	2,190	1,543	4,332	3,038
<b>EBITDA</b>	<u>\$ 2,134</u>	<u>\$ 676</u>	<u>\$ 3,364</u>	<u>\$ 817</u>
Stock-based compensation	366	399	706	709
Lease terminations costs	—	—	450	—
Move related expenses	294	—	866	—
<b>ADJUSTED EBITDA</b>	<u>\$ 2,794</u>	<u>\$ 1,075</u>	<u>\$ 5,386</u>	<u>\$ 1,526</u>

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
<b>NET LOSS</b>	\$ (508)	\$ (1,218)	\$ (1,793)	\$ (3,501)
Loss (Income) from discontinued operations, net of tax	—	(14)	—	589
Stock-based compensation	366	399	706	709
Lease terminations costs	—	—	450	—
Move related expenses	294	—	866	—
<b>NON-GAAP INCOME (LOSS)</b>	<u>\$ 152</u>	<u>\$ (833)</u>	<u>\$ 229</u>	<u>\$ (2,203)</u>
<b>NET LOSS PER SHARE:</b>				
Basic	<u>\$ (0.04)</u>	<u>\$ (0.10)</u>	<u>\$ (0.14)</u>	<u>\$ (0.28)</u>
Diluted	<u>\$ (0.04)</u>	<u>\$ (0.10)</u>	<u>\$ (0.14)</u>	<u>\$ (0.28)</u>
<b>NON-GAAP INCOME (LOSS) Per Share:</b>				
Basic	<u>\$ 0.01</u>	<u>\$ (0.07)</u>	<u>\$ 0.02</u>	<u>\$ (0.18)</u>
Diluted	<u>\$ 0.01</u>	<u>\$ (0.07)</u>	<u>\$ 0.02</u>	<u>\$ (0.18)</u>

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
<b>TOTAL REVENUES</b>	\$ 68,760	\$ 68,008	\$ 143,272	\$ 140,397
Pass-thru revenue	(10,819)	(8,239)	(22,228)	(16,445)
Cost of product revenue	(27,397)	(35,411)	(59,253)	(77,877)
<b>SERVICE FEE EQUIVALENT REVENUE</b>	<u>\$ 30,544</u>	<u>\$ 24,358</u>	<u>\$ 61,791</u>	<u>\$ 46,075</u>

**PFSweb, Inc. and Subsidiaries**  
Unaudited Condensed Consolidated Balance Sheets  
(In Thousands, Except Share Data)

	June 30, 2012	December 31, 2011
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 17,107	\$ 17,695
Restricted cash	728	827
Accounts receivable, net of allowance for doubtful accounts of \$656 and \$663 at June 30, 2012 and December 31, 2011, respectively	39,172	52,679
Inventories, net of reserves of \$1,677 and \$1,555 at June 30, 2012 and December 31, 2011, respectively	27,060	30,487
Other receivables	7,983	11,915
Prepaid expenses and other current assets	4,335	4,697
<b>Total current assets</b>	<b>96,385</b>	<b>118,300</b>
PROPERTY AND EQUIPMENT, net	25,574	14,945
OTHER ASSETS	3,052	3,127
<b>Total assets</b>	<b>125,011</b>	<b>136,372</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Current portion of long-term debt and capital lease obligations	\$ 19,196	\$ 23,939
Trade accounts payable	35,658	48,544
Deferred revenue	7,365	6,766
Accrued expenses	19,023	18,657
<b>Total current liabilities</b>	<b>81,242</b>	<b>97,906</b>
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, less current portion	6,284	3,583
DEFERRED REVENUE	5,112	5,908
DEFERRED RENT	5,571	901
<b>Total liabilities</b>	<b>98,209</b>	<b>108,298</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>SHAREHOLDERS' EQUITY:</b>		
Preferred stock, \$1.00 par value; 1,000,000 shares authorized; none issued and outstanding	—	—
Common stock, \$.001 par value; 35,000,000 shares authorized; 12,812,386 and 12,782,907 shares issued at June 30, 2012 and December 31, 2011, respectively; and 12,789,325 and 12,764,546 shares outstanding as of June 30, 2012 and December 31, 2011, respectively	13	13
Additional paid-in capital	105,399	104,645
Accumulated deficit	(79,691)	(77,898)
Accumulated other comprehensive income	1,178	1,399
Treasury stock at cost, 23,061 and 18,361 shares as of June 30, 2012 and December 31, 2011, respectively	(97)	(85)
<b>Total shareholders' equity</b>	<b>26,802</b>	<b>28,074</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 125,011</b>	<b>\$ 136,372</b>

**PFSweb, Inc. and Subsidiaries**  
Unaudited Consolidating Statements of Operations  
For the Three Months Ended June 30, 2012  
(In Thousands)

	PFSweb	Business & Retail Connect	Eliminations	Consolidated
<b>REVENUES:</b>				
Product revenue, net	\$ —	\$ 29,557	\$ —	\$ 29,557
Service fee revenue	28,384	—	—	28,384
Service fee revenue - affiliate	1,124	—	(1,124)	—
Pass-thru revenue	10,819	—	—	10,819
Total revenues	<u>40,327</u>	<u>29,557</u>	<u>(1,124)</u>	<u>68,760</u>
<b>COSTS OF REVENUES:</b>				
Cost of product revenue	—	27,397	—	27,397
Cost of service fee revenue	21,049	—	(709)	20,340
Cost of pass-thru revenue	10,819	—	—	10,819
Total costs of revenues	<u>31,868</u>	<u>27,397</u>	<u>(709)</u>	<u>58,556</u>
Gross profit	8,459	2,160	(415)	10,204
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b>	<u>9,047</u>	<u>1,628</u>	<u>(415)</u>	<u>10,260</u>
Income from operations	(588)	532	—	(56)
<b>INTEREST EXPENSE, NET</b>	<u>57</u>	<u>201</u>	<u>—</u>	<u>258</u>
Income before income taxes	(645)	331	—	(314)
<b>INCOME TAX PROVISION (BENEFIT)</b>	<u>55</u>	<u>139</u>	<u>—</u>	<u>194</u>
<b>NET INCOME (LOSS)</b>	<u>\$ (700)</u>	<u>\$ 192</u>	<u>\$ —</u>	<u>\$ (508)</u>
<b>NON-GAAP NET INCOME</b>	<u>\$ (40)</u>	<u>\$ 192</u>	<u>\$ —</u>	<u>\$ 152</u>
<b>EBITDA</b>	<u>\$ 1,578</u>	<u>\$ 556</u>	<u>\$ —</u>	<u>\$ 2,134</u>
<b>ADJUSTED EBITDA</b>	<u>\$ 2,238</u>	<u>\$ 556</u>	<u>\$ —</u>	<u>\$ 2,794</u>
A reconciliation of NET INCOME (LOSS) to EBITDA and ADJUSTED EBITDA follows:				
<b>NET INCOME (LOSS)</b>	\$ (700)	\$ 192	\$ —	(508)
Income tax expense (benefit)	55	139	—	194
Interest expense , net	57	201	—	258
Depreciation and amortization	2,166	24	—	2,190
<b>EBITDA</b>	<u>\$ 1,578</u>	<u>\$ 556</u>	<u>\$ —</u>	<u>\$ 2,134</u>
Stock-based compensation	366	—	—	366
Move related costs	294	—	—	294
<b>ADJUSTED EBITDA</b>	<u>\$ 2,238</u>	<u>\$ 556</u>	<u>\$ —</u>	<u>\$ 2,794</u>
A reconciliation of NET INCOME (LOSS) to NON-GAAP NET INCOME follows:				
<b>NET INCOME (LOSS)</b>	\$ (700)	\$ 192	\$ —	(508)
Stock-based compensation	366	—	—	366
Move related costs	294	—	—	294
<b>NON-GAAP NET INCOME</b>	<u>\$ (40)</u>	<u>\$ 192</u>	<u>\$ —</u>	<u>\$ 152</u>

Note: Business and Retail Connect includes our Supplies Distributors and PFSweb Retail Connect operations, which operate similar financial models on behalf of our client relationships.

**PFSweb, Inc. and Subsidiaries**  
Unaudited Consolidating Statements of Operations  
For the Six Months Ended June 30, 2012  
(In Thousands)

	PFSweb	Business & Retail Connect	Eliminations	Consolidated
<b>REVENUES:</b>				
Product revenue, net	\$ —	\$ 64,282	\$ —	\$ 64,282
Service fee revenue	56,762	—	—	56,762
Service fee revenue - affiliate	2,586	—	(2,586)	—
Pass-thru revenue	22,228	—	—	22,228
Total revenues	<u>81,576</u>	<u>64,282</u>	<u>(2,586)</u>	<u>143,272</u>
<b>COSTS OF REVENUES:</b>				
Cost of product revenue	—	59,253	—	59,253
Cost of service fee revenue	43,097	—	(1,498)	41,599
Cost of pass-thru revenue	22,228	—	—	22,228
Total costs of revenues	<u>65,325</u>	<u>59,253</u>	<u>(1,498)</u>	<u>123,080</u>
Gross profit	16,251	5,029	(1,088)	20,192
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b>				
	<u>18,579</u>	<u>3,669</u>	<u>(1,088)</u>	<u>21,160</u>
Income (loss) from operations	(2,328)	1,360	—	(968)
<b>INTEREST EXPENSE (INCOME), NET</b>				
	<u>91</u>	<u>431</u>	<u>—</u>	<u>522</u>
Income (loss) before income taxes	(2,419)	929	—	(1,490)
<b>INCOME TAX PROVISION (BENEFIT)</b>				
	<u>(69)</u>	<u>372</u>	<u>—</u>	<u>303</u>
<b>NET INCOME (LOSS)</b>				
	<u>(2,350)</u>	<u>557</u>	<u>—</u>	<u>(1,793)</u>
<b>NON-GAAP NET INCOME (LOSS)</b>				
	<u>\$ (328)</u>	<u>\$ 557</u>	<u>\$ —</u>	<u>\$ 229</u>
<b>EBITDA</b>				
	<u>\$ 1,964</u>	<u>\$ 1,400</u>	<u>\$ —</u>	<u>\$ 3,364</u>
<b>ADJUSTED EBITDA</b>				
	<u>\$ 3,986</u>	<u>\$ 1,400</u>	<u>\$ —</u>	<u>\$ 5,386</u>
A reconciliation of NET INCOME (LOSS) to EBITDA and ADJUSTED EBITDA follows:				
<b>NET INCOME (LOSS)</b>				
	\$ (2,350)	\$ 557	\$ —	(1,793)
Income tax expense (benefit)	(69)	372	—	303
Interest expense (income)	91	431	—	522
Depreciation and amortization	4,292	40	—	4,332
<b>EBITDA</b>				
	<u>\$ 1,964</u>	<u>\$ 1,400</u>	<u>\$ —</u>	<u>\$ 3,364</u>
Stock-based compensation	706	—	—	706
Lease termination costs	450	—	—	450
Move related costs	866	—	—	866
<b>ADJUSTED EBITDA</b>				
	<u>\$ 3,986</u>	<u>\$ 1,400</u>	<u>\$ —</u>	<u>\$ 5,386</u>
A reconciliation of NET INCOME (LOSS) to NON-GAAP NET INCOME (LOSS) follows:				
<b>NET INCOME (LOSS)</b>				
	\$ (2,350)	\$ 557	\$ —	(1,793)
Stock-based compensation	706	—	—	706
Lease termination costs	450	—	—	450
Move related costs	866	—	—	866
<b>NON-GAAP NET INCOME (LOSS)</b>				
	<u>\$ (328)</u>	<u>\$ 557</u>	<u>\$ —</u>	<u>\$ 229</u>

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

**PFSweb, Inc. and Subsidiaries**  
Unaudited Consolidating Statements of Operations  
For the Three Months Ended June 30, 2011  
(In Thousands)

	PFSweb	Business & Retail Connect	eCOST	Eliminations	Consolidated
<b>REVENUES:</b>					
Product revenue, net	\$ —	\$ 38,799	\$ —	\$ —	\$ 38,799
Service fee revenue	20,970	—	—	—	20,970
Service fee revenue - affiliate	1,588	—	—	(1,588)	—
Pass-thru revenue	8,240	—	—	(1)	8,239
Total revenues	<u>30,798</u>	<u>38,799</u>	<u>—</u>	<u>(1,589)</u>	<u>68,008</u>
<b>COSTS OF REVENUES:</b>					
Cost of product revenue	—	35,411	—	—	35,411
Cost of service fee revenue	16,354	—	—	(559)	15,795
Cost of pass-thru revenue	8,240	—	—	(1)	8,239
Total costs of revenues	<u>24,594</u>	<u>35,411</u>	<u>—</u>	<u>(560)</u>	<u>59,445</u>
Gross profit	6,204	3,388	—	(1,029)	8,563
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b>					
	<u>8,245</u>	<u>2,214</u>	<u>—</u>	<u>(1,029)</u>	<u>9,430</u>
Income (loss) from operations	(2,041)	1,174	—	—	(867)
<b>INTEREST EXPENSE (INCOME), NET</b>					
	<u>(61)</u>	<u>331</u>	<u>—</u>	<u>—</u>	<u>270</u>
Income (loss) before income taxes	(1,980)	843	—	—	(1,137)
<b>INCOME TAX PROVISION (BENEFIT)</b>					
	<u>(251)</u>	<u>346</u>	<u>—</u>	<u>—</u>	<u>95</u>
<b>INCOME (LOSS) FROM CONTINUING OPERATIONS</b>					
	<u>(1,729)</u>	<u>497</u>	<u>—</u>	<u>—</u>	<u>(1,232)</u>
<b>LOSS FROM DISCONTINUED OPERATIONS, NET OF TAX</b>					
	<u>—</u>	<u>—</u>	<u>14</u>	<u>—</u>	<u>14</u>
<b>NET INCOME (LOSS)</b>					
	<u>\$ (1,729)</u>	<u>\$ 497</u>	<u>\$ 14</u>	<u>\$ —</u>	<u>\$ (1,218)</u>
<b>NON-GAAP NET INCOME (LOSS)</b>					
	<u>\$ (1,330)</u>	<u>\$ 497</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (833)</u>
<b>EBITDA</b>					
	<u>\$ (505)</u>	<u>\$ 1,181</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 676</u>
<b>ADJUSTED EBITDA</b>					
	<u>\$ (106)</u>	<u>\$ 1,181</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,075</u>
A reconciliation of NET INCOME (LOSS) to EBITDA and ADJUSTED EBITDA follows:					
<b>NET INCOME (LOSS)</b>					
	<u>\$ (1,729)</u>	<u>\$ 497</u>	<u>\$ 14</u>	<u>\$ —</u>	<u>(1,218)</u>
Loss from discontinued operations, net of tax	—	—	(14)	—	(14)
Income tax expense (benefit)	(251)	346	—	—	95
Interest expense (income)	(61)	331	—	—	270
Depreciation and amortization	1,536	7	—	—	1,543
<b>EBITDA</b>					
	<u>\$ (505)</u>	<u>\$ 1,181</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 676</u>
Stock-based compensation	399	—	—	—	399
<b>ADJUSTED EBITDA</b>					
	<u>\$ (106)</u>	<u>\$ 1,181</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,075</u>
A reconciliation of NET INCOME (LOSS) to NON-GAAP NET INCOME (LOSS) follows:					
<b>NET INCOME (LOSS)</b>					
	<u>\$ (1,729)</u>	<u>\$ 497</u>	<u>\$ 14</u>	<u>\$ —</u>	<u>\$ (1,218)</u>
Loss from discontinued operations, net of tax	—	—	(14)	—	(14)
Stock-based compensation	399	—	—	—	399
<b>NON-GAAP NET INCOME (LOSS)</b>					
	<u>\$ (1,330)</u>	<u>\$ 497</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (833)</u>

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

**PFSweb, Inc. and Subsidiaries**  
Unaudited Consolidating Statements of Operations  
For the Six Months Ended June 30, 2011  
(In Thousands)

	PFSweb	Business & Retail Connect	eCOST	Eliminations	Consolidated
<b>REVENUES:</b>					
Product revenue, net	\$ —	\$ 84,082	\$ —	\$ —	\$ 84,082
Service fee revenue	39,870	—	—	—	39,870
Service fee revenue - affiliate	3,252	—	—	(3,252)	—
Pass-thru revenue	16,446	—	—	(1)	16,445
Total revenues	<u>59,568</u>	<u>84,082</u>	<u>—</u>	<u>(3,253)</u>	<u>140,397</u>
<b>COSTS OF REVENUES:</b>					
Cost of product revenue	—	77,877	—	—	77,877
Cost of service fee revenue	30,702	—	—	(1,124)	29,578
Cost of pass-thru revenue	16,446	—	—	(1)	16,445
Total costs of revenues	<u>47,148</u>	<u>77,877</u>	<u>—</u>	<u>(1,125)</u>	<u>123,900</u>
Gross profit	12,420	6,205	—	(2,128)	16,497
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b>					
	<u>16,460</u>	<u>4,386</u>	<u>—</u>	<u>(2,128)</u>	<u>18,718</u>
Income (loss) from operations	(4,040)	1,819	—	—	(2,221)
<b>INTEREST EXPENSE (INCOME), NET</b>					
	<u>(116)</u>	<u>577</u>	<u>—</u>	<u>—</u>	<u>461</u>
Income (loss) before income taxes	(3,924)	1,242	—	—	(2,682)
<b>INCOME TAX PROVISION (BENEFIT)</b>					
	<u>(276)</u>	<u>506</u>	<u>—</u>	<u>—</u>	<u>230</u>
<b>INCOME (LOSS) FROM CONTINUING OPERATIONS</b>					
	<u>(3,648)</u>	<u>736</u>	<u>—</u>	<u>—</u>	<u>(2,912)</u>
<b>LOSS FROM DISCONTINUED OPERATIONS, NET OF TAX</b>					
	<u>—</u>	<u>—</u>	<u>(589)</u>	<u>—</u>	<u>(589)</u>
<b>NET INCOME (LOSS)</b>					
	<u>\$ (3,648)</u>	<u>\$ 736</u>	<u>\$ (589)</u>	<u>\$ —</u>	<u>\$ (3,501)</u>
<b>NON-GAAP NET INCOME (LOSS)</b>					
	<u>\$ (2,939)</u>	<u>\$ 736</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (2,203)</u>
<b>EBITDA</b>					
	<u>\$ (1,016)</u>	<u>\$ 1,833</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 817</u>
<b>ADJUSTED EBITDA</b>					
	<u>\$ (307)</u>	<u>\$ 1,833</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,526</u>
A reconciliation of NET INCOME (LOSS) to EBITDA and ADJUSTED EBITDA follows:					
<b>NET INCOME (LOSS)</b>					
	<u>\$ (3,648)</u>	<u>\$ 736</u>	<u>\$ (589)</u>	<u>\$ —</u>	<u>(3,501)</u>
Loss from discontinued operations, net of tax	—	—	589	—	589
Income tax expense (benefit)	(276)	506	—	—	230
Interest expense (income)	(116)	577	—	—	461
Depreciation and amortization	3,024	14	—	—	3,038
<b>EBITDA</b>					
	<u>\$ (1,016)</u>	<u>\$ 1,833</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 817</u>
Stock-based compensation	709	—	—	—	709
<b>ADJUSTED EBITDA</b>					
	<u>\$ (307)</u>	<u>\$ 1,833</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,526</u>
A reconciliation of NET INCOME (LOSS) to NON-GAAP NET INCOME (LOSS) follows:					
<b>NET INCOME (LOSS)</b>					
	<u>\$ (3,648)</u>	<u>\$ 736</u>	<u>\$ (589)</u>	<u>\$ —</u>	<u>\$ (3,501)</u>
Loss from discontinued operations, net of tax	—	—	589	—	589
Stock-based compensation	709	—	—	—	709
<b>NON-GAAP NET INCOME (LOSS)</b>					
	<u>\$ (2,939)</u>	<u>\$ 736</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (2,203)</u>

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

**PFSweb, Inc. and Subsidiaries**  
Unaudited Condensed Consolidating Balance Sheets  
as of June 30, 2012  
(In Thousands)

	<u>PFSweb</u>	<u>Business &amp; Retail Connect</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>ASSETS</b>				
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents	\$ 13,977	\$ 3,130	\$ —	\$ 17,107
Restricted cash	—	728	—	728
Accounts receivable, net	26,180	13,073	(81)	39,172
Inventories, net	—	27,060	—	27,060
Other receivables	—	7,983	—	7,983
Prepaid expenses and other current assets	2,853	1,482	—	4,335
<b>Total current assets</b>	<u>43,010</u>	<u>53,456</u>	<u>(81)</u>	<u>96,385</u>
PROPERTY AND EQUIPMENT, net	25,448	126	—	25,574
RECEIVABLE/INVESTMENT IN AFFILIATES	12,857	—	(12,857)	—
OTHER ASSETS	2,913	139	—	3,052
<b>Total assets</b>	<u>84,228</u>	<u>53,721</u>	<u>(12,938)</u>	<u>125,011</u>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>				
<b>CURRENT LIABILITIES:</b>				
Current portion of long-term debt and capital lease obligations	\$ 12,685	\$ 6,511	\$ —	\$ 19,196
Trade accounts payable	8,024	27,715	(81)	35,658
Deferred revenue	7,328	37	—	7,365
Accrued expenses	12,449	6,574	—	19,023
<b>Total current liabilities</b>	<u>40,486</u>	<u>40,837</u>	<u>(81)</u>	<u>81,242</u>
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, less current portion	6,249	35	—	6,284
PAYABLE TO AFFILIATES	—	22,695	(22,695)	—
DEFERRED REVENUE	5,112	—	—	5,112
DEFERRED RENT	5,539	32	—	5,571
<b>Total liabilities</b>	<u>57,386</u>	<u>63,599</u>	<u>(22,776)</u>	<u>98,209</u>
<b>COMMITMENTS AND CONTINGENCIES</b>				
<b>SHAREHOLDERS' EQUITY:</b>				
Common stock	13	19	(19)	13
Capital contributions	—	1,000	(1,000)	—
Additional paid-in capital	105,399	28,059	(28,059)	105,399
Retained earnings (accumulated deficit)	(79,643)	(40,854)	40,806	(79,691)
Accumulated other comprehensive income	1,170	1,898	(1,890)	1,178
Treasury stock	(97)	—	—	(97)
<b>Total shareholders' equity</b>	<u>26,842</u>	<u>(9,878)</u>	<u>9,838</u>	<u>26,802</u>
<b>Total liabilities and shareholders' equity</b>	<u>\$ 84,228</u>	<u>\$ 53,721</u>	<u>\$ (12,938)</u>	<u>\$ 125,011</u>

**PFSweb, Inc. and Subsidiaries**  
Unaudited Condensed Consolidating Balance Sheets  
as of December 31, 2011  
(In Thousands)

<u>ASSETS</u>	<u>PFSweb</u>	<u>Business &amp; Retail Connect</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents	\$ 12,818	\$ 4,877	\$ —	\$ 17,695
Restricted cash	138	689	—	827
Accounts receivable, net	35,881	17,133	(335)	52,679
Inventories, net	—	30,487	—	30,487
Other receivables	—	11,915	—	11,915
Prepaid expenses and other current assets	3,273	1,424	—	4,697
Total current assets	<u>52,110</u>	<u>66,525</u>	<u>(335)</u>	<u>118,300</u>
PROPERTY AND EQUIPMENT, net	14,884	61	—	14,945
RECEIVABLE/INVESTMENT IN AFFILIATES	13,130	—	(13,130)	—
OTHER ASSETS	2,973	154	—	3,127
Total assets	<u>83,097</u>	<u>66,740</u>	<u>(13,465)</u>	<u>136,372</u>
<b><u>LIABILITIES AND SHAREHOLDERS EQUITY</u></b>				
<b>CURRENT LIABILITIES:</b>				
Current portion of long-term debt and capital lease obligations	\$ 13,918	\$ 10,021	\$ —	\$ 23,939
Trade accounts payable	12,089	36,790	(335)	48,544
Deferred revenue	6,749	17	—	6,766
Accrued expenses	11,998	6,659	—	18,657
Total current liabilities	<u>44,754</u>	<u>53,487</u>	<u>(335)</u>	<u>97,906</u>
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, less current portion	3,513	70	—	3,583
PAYABLE TO AFFILIATES	—	22,495	(22,495)	—
DEFERRED REVENUE	5,908	—	—	5,908
DEFERRED RENT	901	—	—	901
Total liabilities	<u>55,076</u>	<u>76,052</u>	<u>(22,830)</u>	<u>108,298</u>
<b>COMMITMENTS AND CONTINGENCIES</b>				
<b>SHAREHOLDERS' EQUITY:</b>				
Common stock	13	19	(19)	13
Capital contributions	—	1,000	(1,000)	—
Additional paid-in capital	104,645	28,059	(28,059)	104,645
Retained earnings (accumulated deficit)	(77,950)	(40,446)	40,498	(77,898)
Accumulated other comprehensive income	1,398	2,056	(2,055)	1,399
Treasury stock	(85)	—	—	(85)
Total shareholders' equity	<u>28,021</u>	<u>(9,312)</u>	<u>9,365</u>	<u>28,074</u>
Total liabilities and shareholders' equity	<u>\$ 83,097</u>	<u>\$ 66,740</u>	<u>\$ (13,465)</u>	<u>\$ 136,372</u>

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