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

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**FORM 10-Q**

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

For the Quarterly Period Ended June 30, 2020

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

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**PFSweb, Inc.**

(Exact name of registrant as specified in its charter)

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**Delaware**

(State or other jurisdiction of  
incorporation or organization)

505 Millennium Drive, Allen, Texas  
(Address of principal executive offices)

75-2837058

(I.R.S. Employer  
Identification Number)

75013

(Zip Code)

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

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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**Securities registered pursuant to Section 12(b) of the Act:**

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.001 par value	PFSW	NASDAQ Capital Market

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller Reporting Company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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.

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Indicate by a check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

As of August 5, 2020, there were 20,195,259 shares of registrant's common stock outstanding.

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**PFSWEB, INC. AND SUBSIDIARIES**

**Form 10-Q**

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**PART I. FINANCIAL INFORMATION**  
**ITEM 1. Financial Statements**

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

	(Unaudited) June 30, 2020	December 31, 2019
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 9,680	\$ 12,434
Restricted cash	214	214
Accounts receivable, net of allowance for doubtful accounts of \$1,696 and \$1,071 at June 30, 2020 and December 31, 2019, respectively	64,597	72,262
Inventories, net of reserves of \$164 and \$291 at June 30, 2020 and December 31, 2019, respectively	4,399	3,281
Other receivables	4,005	3,324
Prepaid expenses and other current assets	8,282	6,954
Total current assets	91,177	98,469
<b>PROPERTY AND EQUIPMENT:</b>		
Cost	100,094	99,750
Less: accumulated depreciation	(82,655)	(81,314)
	17,439	18,436
<b>OPERATING LEASE RIGHT-OF-USE ASSETS</b>	32,399	36,403
<b>IDENTIFIABLE INTANGIBLES, net</b>	889	1,135
<b>GOODWILL</b>	44,868	45,393
<b>OTHER ASSETS</b>	3,853	3,772
Total assets	\$ 190,625	\$ 203,608
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Trade accounts payable	\$ 29,146	\$ 44,640
Accrued expenses	22,663	21,625
Current portion of operating lease liabilities	8,798	8,904
Current portion of long-term debt and finance lease obligations	3,121	2,971
Deferred revenues	5,072	6,058
Total current liabilities	68,800	84,198
<b>LONG-TERM DEBT AND FINANCE LEASE OBLIGATIONS, less current portion</b>	37,514	34,829
<b>DEFERRED REVENUES, less current portion</b>	1,671	1,398
<b>OPERATING LEASE LIABILITIES</b>	28,629	33,295
<b>OTHER LIABILITIES</b>	4,461	3,046
Total liabilities	141,075	156,766
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>SHAREHOLDERS' EQUITY:</b>		
Preferred stock, \$1.00 par value; 1,000,000 shares authorized; none issued or outstanding	—	—
Common stock, \$0.001 par value; 35,000,000 shares authorized; 19,976,731 and 19,465,877 issued at June 30, 2020 and December 31, 2019, respectively; and 19,943,264 and 19,432,410 outstanding at June 30, 2020 and December 31, 2019, respectively	19	19
Additional paid-in capital	163,139	158,192
Accumulated deficit	(111,161)	(109,943)
Accumulated other comprehensive loss	(2,322)	(1,301)
Treasury stock at cost, 33,467 shares	(125)	(125)
Total shareholders' equity	49,550	46,842
Total liabilities and shareholders' equity	\$ 190,625	\$ 203,608

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

**PFSWEB, INC. AND SUBSIDIARIES**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND**  
**COMPREHENSIVE LOSS**  
(In Thousands, Except Per Share Data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
<b>REVENUES:</b>				
Service fee revenue	\$ 61,996	\$ 50,331	\$ 116,294	\$ 101,769
Product revenue, net	5,915	6,138	13,447	13,638
Pass-through revenue	14,524	12,041	29,393	25,253
Total revenues	<u>82,435</u>	<u>68,510</u>	<u>159,134</u>	<u>140,660</u>
<b>COSTS OF REVENUES:</b>				
Cost of service fee revenue	40,765	32,809	75,481	66,767
Cost of product revenue	5,590	5,791	12,713	12,868
Cost of pass-through revenue	14,524	12,041	29,393	25,253
Total costs of revenues	<u>60,879</u>	<u>50,641</u>	<u>117,587</u>	<u>104,888</u>
Gross profit	21,556	17,869	41,547	35,772
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b>				
Income (loss) from operations	15	(227)	636	(671)
<b>INTEREST EXPENSE, net</b>				
Income (loss) before income taxes	375	448	788	959
<b>INCOME TAX EXPENSE, net</b>				
NET LOSS	<u>\$ (987)</u>	<u>\$ (975)</u>	<u>\$ (1,218)</u>	<u>\$ (2,139)</u>
<b>NET LOSS PER SHARE:</b>				
Basic	<u>\$ (0.05)</u>	<u>\$ (0.05)</u>	<u>\$ (0.06)</u>	<u>\$ (0.11)</u>
Diluted	<u>\$ (0.05)</u>	<u>\$ (0.05)</u>	<u>\$ (0.06)</u>	<u>\$ (0.11)</u>
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:</b>				
Basic	<u>19,800</u>	<u>19,444</u>	<u>19,739</u>	<u>19,465</u>
Diluted	<u>19,800</u>	<u>19,444</u>	<u>19,739</u>	<u>19,465</u>
<b>COMPREHENSIVE LOSS:</b>				
Net loss	\$ (987)	\$ (975)	\$ (1,218)	\$ (2,139)
Foreign currency translation adjustment	(77)	95	(1,021)	126
TOTAL COMPREHENSIVE LOSS	<u>\$ (1,064)</u>	<u>\$ (880)</u>	<u>\$ (2,239)</u>	<u>\$ (2,013)</u>

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

**PFSWEB, INC. AND SUBSIDIARIES**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
(In Thousands, Except Share Data)

**Three Months Ended June 30, 2020**

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Total Shareholders' Equity
	Shares	Amount				Shares	Amount	
Balance, March 31, 2020	19,499,220	\$ 19	\$ 158,664	\$ (110,174)	\$ (2,245)	33,467	\$ (125)	\$ 46,139
Net loss	—	—	—	(987)	—	—	—	(987)
Stock-based compensation	—	—	5,153	—	—	—	—	5,153
Exercise of stock options	34,500	—	127	—	—	—	—	127
Issuance of shares under stock-based compensation awards	443,011	—	—	—	—	—	—	—
Tax withholding on shares under stock-based compensation awards	—	—	(805)	—	—	—	—	(805)
Foreign currency translation	—	—	—	—	(77)	—	—	(77)
Balance, June 30, 2020	19,976,731	\$ 19	\$ 163,139	\$ (111,161)	\$ (2,322)	33,467	\$ (125)	\$ 49,550

**Six Months Ended June 30, 2020**

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Total Shareholders' Equity
	Shares	Amount				Shares	Amount	
Balance, December 31, 2019	19,465,877	\$ 19	\$ 158,192	\$ (109,943)	\$ (1,301)	33,467	\$ (125)	\$ 46,842
Net loss	—	—	—	(1,218)	—	—	—	(1,218)
Stock-based compensation	—	—	5,698	—	—	—	—	5,698
Exercise of stock options	34,500	—	127	—	—	—	—	127
Issuance of shares under stock-based compensation awards	476,354	—	—	—	—	—	—	—
Tax withholding on shares under stock-based compensation awards	—	—	(878)	—	—	—	—	(878)
Foreign currency translation	—	—	—	—	(1,021)	—	—	(1,021)
Balance, June 30, 2020	19,976,731	\$ 19	\$ 163,139	\$ (111,161)	\$ (2,322)	33,467	\$ (125)	\$ 49,550

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

PFSWEB, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (cont.)  
(In Thousands, Except Share Data)

Three Months Ended June 30, 2019

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Total Shareholders' Equity
	Shares	Amount				Shares	Amount	
Balance, March 31, 2019	19,295,796	\$ 19	\$ 156,108	\$ (108,937)	\$ (962)	33,467	\$ (125)	\$ 46,103
Net loss	—	—	—	(975)	—	—	—	(975)
Stock-based compensation	—	—	678	—	—	—	—	678
Exercise of stock options	8,000	—	12	—	—	—	—	12
Issuance of shares under stock-based compensation awards	162,081	—	—	—	—	—	—	—
Tax withholding on shares under stock- based compensation awards	—	—	(304)	—	—	—	—	(304)
Foreign currency translation adjustment, net of taxes	—	—	—	—	95	—	—	95
Balance, June 30, 2019	19,465,877	\$ 19	\$ 156,494	\$ (109,912)	\$ (867)	33,467	\$ (125)	\$ 45,609

Six Months Ended June 30, 2019

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Total Shareholders' Equity
	Shares	Amount				Shares	Amount	
Balance, December 31, 2018	19,294,296	\$ 19	\$ 155,455	\$ (107,773)	\$ (993)	33,467	\$ (125)	\$ 46,583
Net loss	—	—	—	(2,139)	—	—	—	(2,139)
Stock-based compensation	—	—	1,329	—	—	—	—	1,329
Exercise of stock options	9,500	—	14	—	—	—	—	14
Issuance of shares under stock-based compensation awards	162,081	—	—	—	—	—	—	—
Tax withholding on shares under stock- based compensation awards	—	—	(304)	—	—	—	—	(304)
Foreign currency translation adjustment, net of taxes	—	—	—	—	126	—	—	126
Balance, June 30, 2019	19,465,877	\$ 19	\$ 156,494	\$ (109,912)	\$ (867)	33,467	\$ (125)	\$ 45,609

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,	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (1,218)	\$ (2,139)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	4,249	5,268
Deferred income taxes	369	338
Stock-based compensation expense	5,698	1,329
Other	471	880
Changes in operating assets and liabilities:		
Accounts receivable	6,666	18,644
Inventories	(1,096)	(444)
Prepaid expenses, other receivables and other assets	(2,194)	1,341
Operating leases	(693)	109
Trade accounts payable, deferred revenues, accrued expenses and other liabilities	(15,056)	(20,438)
Net cash provided by (used in) operating activities	(2,804)	4,888
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(1,722)	(1,927)
Proceeds from sale of property and equipment	142	—
Net cash used in investing activities	(1,580)	(1,927)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net proceeds from issuance of common stock	127	14
Taxes paid on behalf of employees for withheld shares	(878)	(304)
Payments on finance lease obligations	(653)	(929)
Payments on revolving loan	(71,707)	(71,640)
Borrowings on revolving loan	74,707	64,007
Payments on other debt	(946)	(581)
Borrowings on other debt	1,193	2,776
Net cash provided by (used in) financing activities	1,843	(6,657)
EFFECT OF EXCHANGE RATES ON CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(213)	89
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,754)	(3,607)
Cash and cash equivalents, beginning of period	12,434	15,419
Restricted cash, beginning of period	214	207
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, beginning of period	12,648	15,626
Cash and cash equivalents, end of period	9,680	11,812
Restricted cash, end of period	214	207
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, end of period	\$ 9,894	\$ 12,019
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid for income taxes	\$ 466	\$ 603
Cash paid for interest	742	1,008
Non-cash investing and financing activities:		
Property and equipment acquired under long-term debt and finance leases	1,489	398

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

**1. Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements of PFSweb, Inc. and its subsidiaries have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) and include all normal and recurring adjustments necessary to present fairly the unaudited condensed consolidated balance sheets, statements of operations and comprehensive loss, statements of shareholders' equity, and statements of cash flows for the periods indicated. Certain information and note disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) have been condensed or omitted pursuant to the rules and regulations of the SEC. This report should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2019. We refer to PFSweb, Inc. and its subsidiaries collectively as “PFSweb,” the “Company,” “us,” “we” and “our” in these unaudited condensed consolidated financial statements.

Results of our operations for interim periods may not be indicative of results for the full fiscal year. We reclassify certain prior year amounts, as applicable, to conform to the current year presentation.

*Recent Developments*

We continue to monitor the impact of the 2019 novel coronavirus, or COVID-19, on all aspects of our business. COVID-19 was declared a global pandemic by the World Health Organization on March 11, 2020 and the President of the United States declared the COVID-19 outbreak a national emergency. While the COVID-19 pandemic has not had a material adverse impact on our results of operations to date, the future impacts of the pandemic and any resulting economic impact are largely unknown and rapidly evolving. Beginning in late March 2020 and continuing through the second quarter of 2020, we experienced an increase in demand from certain clients for our services in our PFS Operations segment, as more consumers around the world practiced social distancing, complied with stay-at-home restrictions and many retail stores were closed. This generated increased volume of online ordering. This trend has continued into the third quarter of 2020 but at a reduced rate from the March through June 2020 period. However, going forward there could be significant volatility in customer demand and buying habits as the pandemic continues and the resulting adverse economic impacts continue or deepen. We have begun experiencing labor rate increases in certain of our markets for fulfillment activities. We believe this will continue and that this could impact our overall fulfillment related costs and staffing.

We have taken a number of precautionary measures designed to help minimize the risk of the spread of the virus to our employees and adjusted our operations wherever necessary to help ensure a safe environment for our staff across business functions. Beginning in April 2020, we began to receive requests from a limited number of our clients to assist them with extended payment terms and/or pricing adjustments for a short time period. We have also experienced delays in certain limited projects and requests from certain clients to reduce current staffing on some of our projects. While we believe this will have a short-term impact on cash flow and revenues, prolonged delays or cancellations could have a material adverse impact to our overall business and financial results. As a result of the impact of COVID-19, many businesses have or will be experiencing short-term or long-term liquidity issues. It is possible that the COVID-19 pandemic, the restrictive measures taken by national and local governments to contain the virus and the resulting economic impact may cause disruptions and impact our business as we continue to move through the fiscal year which may materially and adversely affect the Company's results of operations, cash flows and financial position as well as that of our customers.

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security (“CARES”) Act was enacted. The CARES Act is an emergency economic stimulus package that includes spending and tax breaks to strengthen the United States' economy and fund a nationwide effort to curtail the effect of COVID-19. The Company has made use of the allowance granted under section 2302 of the CARES Act, which permits employers to forgo timely payment of the employer portions of Social Security and RRTA taxes that would otherwise be due from March 27 through December 31, 2020, without penalty or interest charges. Similarly, the UK and Belgium governments have granted businesses the option to defer the payment of certain value-added tax (“VAT”) amounts. The Company has elected this option and we continue to examine the impact that the CARES Act and similar international statutes may have on our business.

**2. Significant Accounting Policies**

*Use of Estimates*

The preparation of consolidated financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America (“US 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 unaudited condensed consolidated financial statements also require management estimates and assumptions.

Estimates and assumptions about future events and their effects cannot be determined with certainty. The Company bases its estimates on historical experience and various other assumptions believed to be applicable and reasonable under the circumstances. These estimates may change as new events occur, as additional information is obtained and as the operating environment changes. These changes have been included in the unaudited condensed consolidated financial statements as soon as they became known. In addition, management is periodically faced with uncertainties, the outcomes of which are not within its control and will not be known for prolonged periods of time. Based on a critical assessment of accounting policies and the underlying judgments and uncertainties affecting the application of those policies, management believes the Company's unaudited condensed consolidated financial statements are fairly stated in accordance with US GAAP and provide a fair presentation of the Company's financial position and results of operations.

Furthermore, we considered the impact of the COVID-19 pandemic on the use of estimates and assumptions used for financial reporting and determined that there was no adverse material impact to our results of operations for the three and six months ended June 30, 2020; however, the extent and duration of future impacts of the COVID-19 pandemic and any resulting economic impact are largely unknown and difficult to predict due to these unknown factors which may have a material impact on our financial position and results of operations in the future.

For a complete set of our significant accounting policies, refer to our Annual Report on Form 10-K for the year ended December 31, 2019. During the three and six-month periods ended June 30, 2020, there were no significant changes to our significant accounting policies.

### ***Impact of Recently Issued Accounting Standards***

#### ***Pronouncements Recently Adopted***

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 adoption of ASU 2017-04 did not have a material impact on our condensed consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-15 "*Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract; Disclosures for Implementation Costs Incurred for Internal-Use Software and Cloud Computing Arrangements*" ("ASU 2018-15"), which aligns the accounting for implementation costs incurred in a hosting arrangement that is a service contract with the accounting for implementation costs incurred to develop or obtain internal-use software under ASC Subtopic 350-40, in order to determine which costs to capitalize and recognize as an asset. ASU 2018-15 is effective for annual reporting periods, and interim periods within those years, beginning after December 15, 2019, and can be applied either prospectively to implementation costs incurred after the date of adoption or retrospectively to all arrangements. We have adopted ASU 2018-15 on January 1, 2020 on a prospective basis. The adoption of ASU 2018-15 did not have a material impact on our condensed consolidated financial statements.

#### ***Pronouncements Not Yet Adopted***

In June 2016, the FASB issued ASU 2016-13, "*Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*," ("ASU 2016-13") which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. ASU 2016-13 replaces the existing incurred loss impairment model with an expected loss methodology, which will result in more timely recognition of credit losses. ASU 2016-13 is effective for annual reporting periods, and interim periods within those years, beginning after December 15, 2019 for all public entities, excluding smaller reporting companies, and after December 15, 2022 for smaller reporting companies. It requires a cumulative effect adjustment to the balance sheet as of the beginning of the first reporting period in which the guidance is effective. We will adopt ASU 2016-13 on January 1, 2023. We are currently in the early phase of evaluating the impact of the adoption of ASU 2016-13 on our condensed consolidated financial statements.

### 3. Revenue from Contracts with Clients and Customers

The following table presents our revenues, excluding sales and usage-based taxes, disaggregated by revenue source (in thousands):

	Three Months Ended June 30, 2020			Six Months Ended June 30, 2020		
	PFS Operations	LiveArea Professional Services	Total	PFS Operations	LiveArea Professional Services	Total
Revenues:						
Service fee revenue	\$ 41,414	\$ 20,582	\$ 61,996	\$ 74,845	\$ 41,449	\$ 116,294
Product revenue, net	5,915	—	5,915	13,447	—	13,447
Pass-through revenue	13,916	608	14,524	27,873	1,520	29,393
Total revenues	\$ 61,245	\$ 21,190	\$ 82,435	\$ 116,165	\$ 42,969	\$ 159,134

	Three Months Ended June 30, 2019			Six Months Ended June 30, 2019		
	PFS Operations	LiveArea Professional Services	Total	PFS Operations	LiveArea Professional Services	Total
Revenues:						
Service fee revenue	\$ 31,700	\$ 18,631	\$ 50,331	\$ 64,754	\$ 37,015	\$ 101,769
Product revenue, net	6,138	—	6,138	13,638	—	13,638
Pass-through revenue	11,412	629	12,041	24,289	964	25,253
Total revenues	\$ 49,250	\$ 19,260	\$ 68,510	\$ 102,681	\$ 37,979	\$ 140,660

The following table presents our revenues, excluding sales and usage-based taxes, disaggregated by timing of revenue recognition (in thousands):

	Three Months Ended June 30, 2020			Six Months Ended June 30, 2020		
	PFS Operations	LiveArea Professional Services	Total	PFS Operations	LiveArea Professional Services	Total
Revenues:						
Over time	\$ 55,330	\$ 21,190	\$ 76,520	\$ 102,718	\$ 42,969	\$ 145,687
Point-in-time	5,915	—	5,915	13,447	—	13,447
Total revenues	\$ 61,245	\$ 21,190	\$ 82,435	\$ 116,165	\$ 42,969	\$ 159,134

	Three Months Ended June 30, 2019			Six Months Ended June 30, 2019		
	PFS Operations	LiveArea Professional Services	Total	PFS Operations	LiveArea Professional Services	Total
Revenues:						
Over time	\$ 43,112	\$ 18,282	\$ 61,394	\$ 89,043	\$ 37,001	\$ 126,044
Point-in-time	6,138	978	7,116	13,638	978	14,616
Total revenues	\$ 49,250	\$ 19,260	\$ 68,510	\$ 102,681	\$ 37,979	\$ 140,660

The following table presents our revenues, excluding sales and usage-based taxes, disaggregated by region (in thousands):

	Three Months Ended June 30, 2020			Six Months Ended June 30, 2020		
	PFS Operations	LiveArea Professional Services	Total	PFS Operations	LiveArea Professional Services	Total
Revenues by region:						
North America	\$ 47,014	\$ 18,532	\$ 65,546	\$ 92,112	\$ 37,729	\$ 129,841
Europe	14,231	2,658	16,889	24,053	5,240	29,293
Total revenues	<u>\$ 61,245</u>	<u>\$ 21,190</u>	<u>\$ 82,435</u>	<u>\$ 116,165</u>	<u>\$ 42,969</u>	<u>\$ 159,134</u>

	Three Months Ended June 30, 2019			Six Months Ended June 30, 2019		
	PFS Operations	LiveArea Professional Services	Total	PFS Operations	LiveArea Professional Services	Total
Revenues by region:						
North America	\$ 41,297	\$ 16,825	\$ 58,122	\$ 84,900	\$ 33,543	\$ 118,443
Europe	7,953	2,435	10,388	17,781	4,436	22,217
Total revenues	<u>\$ 49,250</u>	<u>\$ 19,260</u>	<u>\$ 68,510</u>	<u>\$ 102,681</u>	<u>\$ 37,979</u>	<u>\$ 140,660</u>

#### Contract Assets and Contract Liabilities

Changes in costs to fulfill contract assets during the period decreased \$0.1 million from December 31, 2019 to June 30, 2020, primarily due to a decrease of approximately \$2.6 million for amortization and recognition of costs, offset by approximately \$2.5 million from new projects in the six months ended June 30, 2020. Costs to fulfill contract assets relate to deferred costs, which are included within other current assets and/or other assets, and software development costs, which are included within property and equipment, in our condensed consolidated balance sheets.

Changes in contract liabilities during the period decreased \$1.3 million from December 31, 2019 to June 30, 2020, primarily due to a decrease of approximately \$7.7 million for amortization and recognition of revenue, offset by approximately \$6.4 million from new projects in the six months ended June 30, 2020. Contract losses recognized for the six months ended June 30, 2020 were not material. Accrued contract liabilities below are included within accrued expenses in our condensed consolidated balance sheets.

The timing of revenue recognition, billings and cash collections results in billed accounts receivable, unbilled receivables, and customer advances and deposits (contract liabilities) on the condensed consolidated balance sheets. Changes in the contract asset and liability balances during the six months ended June 30, 2020 were not materially impacted by any other factors.

Contract balances consist of the following (in thousands):

	June 30, 2020	December 31, 2019
<b>Contract Assets</b>		
Trade accounts receivable, net	\$ 64,435	\$ 71,183
Unbilled accounts receivable	162	1,079
Costs to fulfill	4,793	4,875
Total contract assets	<u>\$ 69,390</u>	<u>\$ 77,137</u>
<b>Contract Liabilities</b>		
Accrued contract liabilities	\$ 1,255	\$ 1,806
Deferred revenue	6,743	7,456
Total contract liabilities	<u>\$ 7,998</u>	<u>\$ 9,262</u>

Remaining performance obligations represent the transaction price of firm orders for which work has not yet been performed. This amount does not include 1) contracts that are less than one year in duration, 2) contracts for which we recognize revenue based on the right to invoice for services performed, or 3) variable consideration allocated entirely to a wholly unsatisfied performance obligation. Much of our revenue qualifies for one of these exemptions. As of June 30, 2020, the aggregate amount of the transaction price allocated to remaining performance obligations for contracts with an original expected duration of one year or more was \$10.2 million. We expect to recognize revenue on approximately 80% of the remaining performance obligations in 2020, 18% in 2021, and the remaining recognized thereafter.

#### 4. Inventory Financing

Supplies Distributors has a short-term credit facility with IBM Credit LLC and its assignees (“IBM Credit Facility”) to finance its purchase and distribution of Ricoh products in the United States, providing financing for eligible Ricoh inventory and certain receivables up to \$7.5 million, as per an amended agreement. 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, we have classified the outstanding amounts under this facility, which were \$4.2 million and \$3.0 million as of June 30, 2020 and December 31, 2019, respectively, as trade accounts payable in the condensed consolidated balance sheets. As of June 30, 2020, Supplies Distributors had \$0.2 million of available credit under this facility. The credit facility contains cross default provisions, various restrictions upon the ability of Supplies Distributors to, among other things, merge, consolidate, sell assets, incur indebtedness, make loans and payments to related parties (including entities directly or indirectly owned by PFSweb, Inc.), provide guarantees, make investments and loans, pledge assets, make changes to capital stock ownership structure and pay dividends. The credit facility also contains financial covenants, such as annualized revenue to working capital, net profit after tax to revenue, and total liabilities to tangible net worth, as defined, and is secured by certain of the assets of Supplies Distributors, as well as a collateralized guaranty of PFSweb. Additionally, PFSweb is required to maintain a minimum Subordinated Note receivable balance from Supplies Distributors of \$1.0 million, as per an amended agreement. Borrowings under the credit facility accrue interest, after a defined free financing period, at prime rate plus 0.5%, which resulted in a weighted average interest rate of 3.75% and 5.25% as of June 30, 2020 and December 31, 2019, respectively. As of June 30, 2020, the Company was in compliance with all financial covenants.

#### 5. Debt and Finance Lease Obligations

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

	June 30, 2020	December 31, 2019
U.S. Credit Agreement		
Revolver	\$ 33,200	\$ 30,200
Equipment loan	5,927	5,426
Debt issuance costs	(263)	(303)
Finance Leases	1,565	2,177
Other	206	300
Total	40,635	37,800
Less current portion of long-term debt	3,121	2,971
Long-term debt, less current portion	\$ 37,514	\$ 34,829

##### U.S. Credit Agreement

On November 1, 2018, we entered into Amendment No. 1 to our Credit Agreement with Regions Bank (the “Amended Facility”). The Amended Facility provided for an increase in availability of our revolving loans to \$60.0 million, with the ability for a further increase of \$20.0 million to \$80.0 million, and the elimination of the term loan. Amounts outstanding under the term loan were reconstituted as revolving loans. The Amended Facility also extended the maturity date to November 1, 2023 and provided for, subject to approval, up to an additional \$10.0 million in equipment financing.

As of June 30, 2020, we had \$22.8 million of available credit under the revolving loan facility. As of June 30, 2020 and December 31, 2019, the weighted average interest rate on the revolving loan facility was 2.76% and 3.96%, respectively.

As of June 30, 2020, we had approval for \$1.4 million of available credit in equipment financing.

As of June 30, 2020, we were in compliance with all debt covenants.

## 6. Earnings (Loss) Per Share

Basic net loss per common share was computed by dividing net loss by the weighted-average number of common shares outstanding for the reporting period. In periods when we recognize a net loss, we exclude the impact of outstanding common stock equivalents from the diluted loss per share calculation as their inclusion would have an antidilutive effect. As of June 30, 2020 and June 30, 2019, we had outstanding common stock equivalents of approximately 3.1 million and 2.6 million, respectively, that have been excluded from the calculations of diluted earnings per share attributable to common stockholders because their effect would have been antidilutive.

## 7. Segment Information

Our segments are comprised of strategic businesses that are defined by the service offerings they provide and consist of PFS Operations (which provides client services in relation to the customer physical experience, such as order management (OMS), order fulfillment, customer care and financial services) and LiveArea Professional Services (which provides client services in relation to the digital experience of shopping online, such as strategic commerce consulting, strategy, design and digital marketing services and technology services). Each segment is led by a separate Business Unit Executive who reports directly to our Chief Operating Decision Maker.

The following table presents information concerning operations by segment (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
<b>Revenues:</b>				
PFS Operations	\$ 61,245	\$ 49,250	\$ 116,165	\$ 102,681
LiveArea Professional Services	21,190	19,260	42,969	37,979
Total revenues	<u>\$ 82,435</u>	<u>\$ 68,510</u>	<u>\$ 159,134</u>	<u>\$ 140,660</u>
<b>Business unit direct contribution:</b>				
PFS Operations	\$ 4,402	\$ 2,129	\$ 7,492	\$ 4,654
LiveArea Professional Services	449	2,301	3,631	4,174
Total business unit direct contribution	<u>4,851</u>	<u>4,430</u>	<u>11,123</u>	<u>8,828</u>
Unallocated corporate expenses	<u>(4,836)</u>	<u>(4,657)</u>	<u>(10,487)</u>	<u>(9,499)</u>
Income (loss) from operations	<u>\$ 15</u>	<u>\$ (227)</u>	<u>\$ 636</u>	<u>\$ (671)</u>
<b>Depreciation and amortization:</b>				
PFS Operations	\$ 1,421	\$ 1,981	\$ 3,195	\$ 4,033
LiveArea Professional Services	206	284	429	615
Unallocated corporate expenses	337	288	625	620
Total depreciation and amortization	<u>\$ 1,964</u>	<u>\$ 2,553</u>	<u>\$ 4,249</u>	<u>\$ 5,268</u>

## 8. Commitments and Contingencies

The Company is subject to claims in the ordinary course of business, including claims of alleged infringement by the Company or its subsidiaries of the patents, trademarks and other intellectual property rights of third parties. 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.

**9. Subsequent Events**

In July 2020, we granted restricted stock units, performance units and marked-based units to certain executives and employees under the 2020 Stock and Incentive Plan (the "Plan") that allow them to earn up to 856,442 shares of common stock that will vest over a period of up to three years. We expect stock-based compensation expense in the third quarter of 2020 to be approximately \$2.3 million as a result of these awards.

On July 17, 2020, we entered into a 64 month lease for warehouse space in Irving, Texas of 57,400 square feet. This will increase our right of use asset and lease liability balances.



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

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

### Forward-Looking Information

This quarterly report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including statements that involve expectations, plans or intentions (such as those relating to future business, future results of operations or financial condition, new or planned features or services, or management strategies). You can identify these forward-looking statements by words such as "may," "will," "would," "should," "could," "expect," "anticipate," "believe," "estimate," "intend," "plan," "potential," "project," "predict," "future," "target," "seek," "continue" and other similar expressions. These forward-looking statements involve risks and uncertainties, and may include assumptions as to how we may perform in the future, including the impact of the COVID-19 pandemic on our business, results of operations and global economic conditions. Although we believe the expectations reflected in our forward-looking statements are reasonable, we cannot guarantee these expectations will actually be achieved. In addition, some forward-looking statements are based upon assumptions about future events that may not prove to be accurate. Therefore, our actual results may differ materially from those expressed or implied in our forward-looking statements. Such risks and uncertainties include, among others, those discussed in "Part I, Item 1A: Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 as supplemented by our Form 10-K/A filed on April 29, 2020 (the "Annual Report"), as well as in our consolidated financial statements, related notes, and the other information appearing elsewhere in the Annual Report and our other filings with the Securities and Exchange Commission, or the SEC, including any quarterly reports on Form 10-Q. We do not intend, and undertake no obligation, to update any of our forward-looking statements after the date of this report to reflect actual results or future events or circumstances. There may be additional risks we do not currently view as material or that are not presently known or that are beyond our ability to control or predict. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

### Key Events and Trends

#### COVID-19

We continue to closely monitor the impact of the 2019 novel coronavirus, or COVID-19, pandemic on all aspects of our business. Our focus has been, and continues to be, on protecting our employees, while continuing to serve our clients. While the COVID-19 pandemic has not had a material adverse impact on our results of operations to date, the future impacts of the pandemic and any resulting economic impact are largely unknown and rapidly evolving.

Beginning in late March 2020 and continuing through the second quarter of 2020, we experienced an increase in demand from certain clients for our services in our PFS Operations segment, as more consumers around the world practiced social distancing, complied with stay-at-home restrictions and many retail stores were closed. This generated increased volume of online ordering. This trend has continued into the third quarter of 2020 but at a reduced rate from the first half of 2020. However, going forward there could be significant volatility in customer demand and buying habits as the pandemic continues and the resulting adverse economic impacts continue or deepen. We have begun experiencing labor rate increases in certain of our markets for fulfillment activities. We believe this will continue and that this could impact our overall fulfillment related costs and staffing.

Both our LiveArea and PFS Operations business segments are engaged in the support of our clients' direct to consumer online business activity. Due to continuing restrictions on traditional brick and mortar activities, many businesses, including many of our clients, are migrating an incremental amount of their investments and business volumes to their online channel, including both website development and marketing activity as well as the physical movement of product. We believe this has resulted in, and is currently expected to continue to provide us with strong demand for our service offerings. As the restrictions on brick and mortar activities are lifted, this may lead to reduced demand for the services of LiveArea and PFS Operations as customers return to stores. Despite the unpredictability of volumes brought on by COVID-19, the contracts that had been secured during the pandemic with new clients and amended contracts with existing clients were entered into with the intention to support volumes post-COVID that are the same or higher than those pre-COVID. As a result of the increased volumes that are currently occurring and those potentially expected, we have secured additional warehouse space and headcount to meet the current and expected future volumes for the PFS Operations business.

We are incurring additional costs related to the enhanced cleaning regimen implemented in our facilities and purchasing personal protective equipment ("PPE") we are providing to our employees. As of June 30, 2020, these costs have not been material and we do not anticipate them being material through 2020. Beginning in April 2020, we began to receive requests from a limited number of our clients to assist them with extended payment terms and/or pricing adjustments for a short time period. For the six months ended June 30, 2020, this has not resulted in a material impact to cash flows. We have also begun to see delays in

certain limited projects and requests from certain clients to reduce current staffing on our time and materials projects. While we believe this will have a short-term impact on cash flow and revenues, we do not currently anticipate these identified modifications to date will have a material impact to our overall business and financial results. We will continue to monitor these for potential impacts to future cash flow.

Overall, while there is an increased level of uncertainty in our financial forecasts for the remainder of 2020 due to the macro-economic uncertainty related to COVID-19, we currently continue to target growth in service fee revenues for both of our business segments for the remainder of the year as compared to 2019. For our LiveArea business, we expect some short-term impact on revenue and profitability in the third quarter of 2020, as a result of the client requested project deferrals and adjustments, but we expect to have continued ongoing success in winning new or expanded client relationships that are expected to offset this impact. For our PFS business segment, we are expecting an overall stronger level of service fees from existing clients who have migrated more of their business to the online channel that we support. However, we expect some shortfalls versus our original projections in winning new client opportunities due to COVID-19 related restrictions on our prospects' abilities to adjust their business operations in the near term and implement such business within 2020.

As a result of the impact of COVID-19, many businesses have or will be experiencing short-term or long-term liquidity issues. Based on our current expectations, we believe we have the appropriate financial structure in place to support our own business operations. However, we do expect increased potential risk from the viability of clients and their ability to make payments on time. We have and will continue to closely monitor our clients' financial results, payment patterns and business updates in an effort to minimize the potential impact of our credit risk.

While the COVID-19 pandemic has not yet had a material adverse impact on our operations to date, the extent and duration of future impacts of the pandemic and any resulting economic impact on our business are largely unknown and difficult to predict. We recommend that you review Item 1A. "Risk Factors" in the Annual Report on Form 10-K for fiscal year ended December 31, 2019, as supplemented by our Form 10-K/A filed on April 29, 2020 for a description of the risks related to COVID-19.

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security ("CARES") Act was enacted and signed into law. The Company has made use of the allowance granted under section 2302 of the CARES Act, which permits employers to forgo timely payment of the employer portions of Social Security and RRTA taxes that would otherwise be due from March 27 through December 31, 2020, without penalty or interest charges. We have elected this option and it has resulted in deferred payments through June 30, 2020 totaling \$1.2 million, due in equal payments on December 31, 2021 and December 31, 2022. We expect to defer between \$3.5 million and \$4.0 million through December 31, 2020. Similarly, the UK and Belgium governments have granted businesses the option to defer the payment of certain value-added tax ("VAT") amounts. We have elected to take advantage of the options available to us but the effects have been immaterial. We continue to examine the impact that the CARES Act and similar international statutes may have on our business.

In March 2020, we established a COVID-19 task force, comprised of leaders from a cross function of each of our operational sites and business units. The objectives of the task force are to:

- Gather daily key information from each site regarding risks, opportunities and developments related to the pandemic's impact and Company's response to ensure unfiltered access to information for the Company's leadership.
- Identify and accumulate data required for decision making at the leadership level, including providing recommended courses of action.
- Coordinate communication plans for all of our geographic locations.
- Access, establish, monitor and adjust our business operations continuity plans for each geographic location.
- Ensure formal tracking of any known or suspected employee cases of COVID-19.

We have taken a number of precautionary measures designed to help minimize the risk of the spread of the virus to our employees, including suspending all non-essential travel worldwide for our employees, and adjusting our operations wherever necessary to help ensure a safe environment for our staff across business functions.

We have transitioned our professional staff and contact center agents to a work-from-home solution, with only a few exceptions. While all of our distribution facilities are considered essential businesses in the jurisdictions in which they are located and have continued to operate, we have established procedures to ensure the safety of our distribution facility staff, including:

- Employees are not required to come to work if they are not comfortable doing so.
- Employees that are experiencing or have been exposed to anyone exhibiting symptoms of COVID-19 have been told not to come to work and to seek medical attention and/or testing and stay home until they receive a negative test result, have self-quarantined for 14 days and/or receive clearance from a medical professional.

- Performing temperature checks at entry doors. Employees exhibiting any symptoms of COVID-19 or who have an elevated temperature are not allowed in the facility.
- Provide PPE for employees including gloves, face masks and in certain facilities, face shields. We have provided training for proper use of the equipment.
- Require distancing among employees inside of the working areas of the distribution facilities and require that all employees use the greatest social distancing available inside of the facilities with constant enforcement being maintained.
- Provide mobile cleaning stations for employee use at any time and access to hand sanitizer stations.
- Increased and enhanced cleaning regimen in all facilities. Facilities are cleaned on a daily basis, as well as a nightly cleaning that includes disinfectant fogging at some facilities.
- Facilitating virtual focus groups with employees to seek out ways to provide suggestions to the task force.

## Overview

We are a global commerce services company. We manage the entire commerce customer experience for major branded manufacturers and retailers through two business segments, LiveArea Professional Services ("LiveArea") and PFS Operations. LiveArea provides a comprehensive set of services to support and improve B2B, B2C and B2B2C digital and physical shopping experiences or eCommerce. Service areas include eCommerce strategy and consulting, omni-channel experience design, digital marketing, data strategy and technology services including development and system integration. PFS Operations provides services to support and improve the physical experience, such as order management, order fulfillment, customer care and payment services. We offer our services on an a la carte basis or as a complete end-to-end solution.

## Operating Results

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 revenues (in thousands, except percentages):

	Three Months Ended June 30,			% of Total Revenues		Six Months Ended June 30,			% of Total Revenues	
	2020	2019	Change	2020	2019	2020	2019	Change	2020	2019
<b>Revenues</b>										
Service fee revenue	\$ 61,996	\$ 50,331	\$ 11,665	75.2 %	73.5 %	\$ 116,294	\$ 101,769	\$ 14,525	73.1 %	72.4 %
Product revenue, net	5,915	6,138	(223)	7.2 %	9.0 %	13,447	13,638	(191)	8.5 %	9.7 %
Pass-through revenue	14,524	12,041	2,483	17.6 %	17.6 %	29,393	25,253	4,140	18.5 %	18.0 %
<b>Total revenues</b>	<b>82,435</b>	<b>68,510</b>	<b>13,925</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>159,134</b>	<b>140,660</b>	<b>18,474</b>	<b>100.0 %</b>	<b>100.0 %</b>
<b>Costs of Revenues</b>										
Cost of service fee revenue	40,765	32,809	7,956	65.8 % (1)	65.2 %	75,481	66,767	8,714	64.9 % (1)	65.6 %
Cost of product revenue	5,590	5,791	(201)	94.5 % (2)	94.3 %	12,713	12,868	(155)	94.5 % (2)	94.4 %
Cost of pass-through revenue	14,524	12,041	2,483	100.0 % (3)	100.0 %	29,393	25,253	4,140	100.0 % (3)	100.0 %
<b>Total costs of revenues</b>	<b>60,879</b>	<b>50,641</b>	<b>10,238</b>	<b>73.9 %</b>	<b>73.9 %</b>	<b>117,587</b>	<b>104,888</b>	<b>12,699</b>	<b>73.9 %</b>	<b>74.6 %</b>
Service fee gross profit	21,231	17,522	3,709	34.2 % (1)	34.8 %	40,813	35,002	5,811	35.1 % (1)	34.4 %
Product revenue gross profit	325	347	(22)	5.5 % (2)	5.7 %	734	770	(36)	5.5 % (2)	5.6 %
<b>Total gross profit</b>	<b>21,556</b>	<b>17,869</b>	<b>3,687</b>	<b>26.1 %</b>	<b>26.1 %</b>	<b>41,547</b>	<b>35,772</b>	<b>5,775</b>	<b>26.1 %</b>	<b>25.4 %</b>
Selling, General and Administrative expenses	21,541	18,096	3,445	26.1 %	26.4 %	40,911	36,443	4,468	25.7 %	25.9 %
Income (loss) from operations	15	(227)	242	— %	(0.3) %	636	(671)	1,307	0.4 %	(0.5) %
Interest expense, net	375	448	(73)	0.5 %	0.7 %	788	959	(171)	0.5 %	0.7 %
Income (loss) before income taxes	(360)	(675)	315	(0.4) %	(1.0) %	(152)	(1,630)	1,478	(0.1) %	(1.2) %
Income tax expense, net	627	300	327	0.8 %	0.4 %	1,066	509	557	0.7 %	0.4 %
<b>Net loss</b>	<b>\$ (987)</b>	<b>\$ (975)</b>	<b>\$ (12)</b>	<b>(1.2) %</b>	<b>(1.4) %</b>	<b>\$ (1,218)</b>	<b>\$ (2,139)</b>	<b>\$ 921</b>	<b>(0.8) %</b>	<b>(1.5) %</b>

(1) Represents the percent of Service fee revenue.

(2) Represents the percent of Product revenue, net.

(3) Represents the percent of Pass-through revenue.

## Segment Operating Data

PFS Operations (in thousands, except percentages)

	Three Months Ended June 30,				Six Months Ended June 30,			
	2020	2019	Change	Change %	2020	2019	Change	Change %
<b>Revenues</b>								
Service fee revenue	\$ 41,414	\$ 31,700	\$ 9,714	31 %	\$ 74,845	\$ 64,754	\$ 10,091	16 %
Product revenue, net	5,915	6,138	(223)	—	13,447	13,638	(191)	—
Pass-through revenue	13,916	11,412	2,504	22 %	27,873	24,289	3,584	15 %
Total revenues	61,245	49,250	11,995	24 %	116,165	102,681	13,484	13 %
<b>Costs of Revenues</b>								
Cost of service fee revenue	29,434	22,755	6,679	29 %	52,739	46,675	6,064	13 %
Cost of product revenue	5,590	5,791	(201)	(3) %	12,713	12,868	(155)	(1) %
Cost of pass-through revenue	13,916	11,412	2,504	22 %	27,873	24,289	3,584	15 %
Total costs of revenues	48,940	39,958	8,982	22 %	93,325	83,832	9,493	11 %
Gross Profit	12,305	9,292	3,013	32 %	22,840	18,849	3,991	21 %
Direct operating expenses	7,903	7,163	740	10 %	15,348	14,195	1,153	8 %
Direct contribution	\$ 4,402	\$ 2,129	\$ 2,273	107 %	\$ 7,492	\$ 4,654	\$ 2,838	61 %

PFS Operations total revenues for the three and six months ended June 30, 2020 increased by \$12.0 million and \$13.5 million, respectively, compared with the corresponding periods in 2019. Service fee revenue for the three and six months ended June 30, 2020 increased \$9.7 million and \$10.1 million, respectively, compared to the prior year. The service fee revenue increase was primarily due to growth from new and existing clients, driven by increases in on-line spending as a result of COVID-19, offset by client terminations or bankruptcies. For the three and six months ended June 30, 2019, we had service fee revenues totaling approximately \$0.6 million and \$2.8 million, respectively, related to two clients that filed bankruptcy and subsequently liquidated their operations in 2019. Excluding the decrease from these clients, service fee revenues would have increased by \$10.3 million and \$12.9 million for the three and six months ended June 30, 2020, respectively.

Product revenue, net, for the three and six months ended June 30, 2020, remained largely consistent with the corresponding period in 2019. We had expected product revenue to decline, as it is primarily dependent on one client, which restructured its operations and discontinued certain product lines. However, during the three months ended March 31, 2020, we had an increase in orders as certain customers ordered incremental product to minimize the risk of product not being available during this time. This was offset during the three months ended June 30, 2020, whereby product revenue returned to an expected decline. We expect to see reduced product revenue as the year continues, as a result of the restructuring of our client.

Pass-through revenue, primarily related to freight activity, increased by \$2.5 million and \$3.6 million for the three and six months ended June 30, 2020 compared to the corresponding periods in 2019 primarily due to incremental activity with both new and existing clients partially offset by the impact of a client's transition of their freight management activities.

PFS Operations gross margin increased to 20.1% and 19.7% for the three and six months ended June 30, 2020, respectively, from 18.9% and 18.4% for the same periods of the prior year. The increased margin is due to the increased service fee margins of 28.9% and 29.5% for the three and six months ended June 30, 2020, respectively, from 28.2% and 27.9% for the same periods of the prior year primarily as a result of operating cost efficiencies. This was partially offset by the impact from increased pass-through revenue with zero margin.

Direct operating expenses for the three and six months ended June 30, 2020 increased by \$0.7 million and \$1.2 million compared to the corresponding periods in 2019. The increase was primarily due to increased personnel costs arising from stock compensation expense of \$0.9 million for the three and six months ended June 30, 2020, compared to \$0.1 million and \$0.2 million for the same periods of the prior year. The increased stock compensation expense arose from the issuance of incremental awards after the approval of a new Stock and Incentive Plan by shareholders on June 30, 2020. Excluding the impact of stock based compensation, direct operating expenses decreased by \$0.1 million for the three months ended June 30, 2020 and increased by \$0.5 million for the six months ended June 30, 2020. This increase was primarily due to increased personnel related costs (including variable compensation expense), facility costs, and sales and marketing related spend, partially offset by the prior year amount including a higher provision for doubtful accounts due to a 2019 client bankruptcy.

LiveArea Professional Services (in thousands, except percentages)

	Three Months Ended June 30,				Six Months Ended June 30,			
	2020	2019	Change	Change %	2020	2019	Change	Change %
<b>Revenues</b>								
Service fee revenue	\$ 20,582	\$ 18,631	\$ 1,951	10 %	\$ 41,449	\$ 37,015	\$ 4,434	12 %
Pass-through revenue	608	629	(21)	(3)%	1,520	964	556	58 %
Total revenues	21,190	19,260	1,930	10 %	42,969	37,979	4,990	13 %
<b>Costs of revenues</b>								
Cost of service fee revenue	11,331	10,054	1,277	13 %	22,742	20,092	2,650	13 %
Cost of pass-through revenue	608	629	(21)	(3)%	1,520	964	556	58 %
Total costs of revenues	11,939	10,683	1,256	12 %	24,262	21,056	3,206	15 %
Gross profit	9,251	8,577	674	8 %	18,707	16,923	1,784	11 %
Direct operating expenses	8,802	6,276	2,526	40 %	15,076	12,749	2,327	18 %
Direct contribution	\$ 449	\$ 2,301	\$ (1,852)	(80)%	\$ 3,631	\$ 4,174	\$ (543)	(13)%

LiveArea Professional Services revenues for the three and six months ended June 30, 2020 increased by \$1.9 million and \$5.0 million, respectively, compared to the corresponding periods in 2019. The increase in revenues are primarily due to the higher level of new and existing client activity and related pass through revenues, as a result of increased success in booking new projects and engagements during late 2019 and continuing into 2020.

LiveArea Professional Services gross margin decreased to 43.7% from 44.5% in the three months ended June 30, 2019 and decreased to 43.5% from 44.6% in the six months ended June 30, 2020, compared to the corresponding periods of the prior year. The decrease in gross margin is primarily attributable to higher than expected costs incurred on certain client projects for the six months ended June 30, 2020, increased levels of zero margin pass-through revenue activity as well as the prior year including a higher level of monies earned on direct and indirect technology related product sales.

Direct operating expenses increased by \$2.5 million and \$2.3 million for the three and six months ended June 30, 2020, respectively, compared to the corresponding periods in 2019. The increase was primarily attributable to increased stock based compensation of \$2.3 million and \$2.4 million for the three and six months ended June 30, 2020, respectively, compared to \$0.1 million and \$0.3 million for the same periods in 2019. Excluding this expense, direct operating expenses increased by \$0.3 million and \$0.2 million for the three and six months ended June 30, 2020, respectively. The increase arose primarily as a result of incremental sales and marketing personnel costs and increased variable compensation expense, partially offset by reduced travel related spend.

Corporate (in thousands, except percentages)

	Three Months Ended June 30,				Six Months Ended June 30,			
	2020	2019	Change	Change %	2020	2019	Change	Change %
Unallocated corporate expenses	\$ 4,836	\$ 4,657	\$ 179	4 %	\$ 10,487	\$ 9,499	\$ 988	10 %

Unallocated corporate expenses increased by \$0.2 million and \$1.0 million for the three and six months ended June 30, 2020, respectively, compared to the corresponding periods in 2019. There were incremental increases in stock based compensation of \$1.6 million, offset by a \$1.7 million and \$1.1 million reduction to vacation expense for the three and six months ended June 30, respectively. The decrease to vacation expense was primarily related to a change in policy to allow for the introduction of a flexible vacation policy that is not restricted to time earned by the Company for US employees in the second quarter of 2020. Excluding the impacts of these factors, unallocated corporate expenses increased by \$0.3 million and \$0.5 million for the three and six months ended June 30, 2020, respectively, primarily as a result of increased personnel related costs.

Income Taxes

During the three months ended June 30, 2019, we recorded a tax expense of \$0.6 million comprised primarily of \$0.4 million related to the majority of our international operations, \$0.1 million related to state income taxes, and \$0.1 million associated with the tax amortization of goodwill in relation to our 2015 acquisition. 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.

During the six months ended June 30, 2020, we recorded a tax expense of \$1.1 million comprised primarily of \$0.5 million related to the majority of our international operations, \$0.3 million related to state income taxes, and \$0.3 million associated with the tax amortization of goodwill in relation to our 2015 acquisition. 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.

For the three and six months ended June 30, 2020 and 2019, we have utilized the discrete effective tax rate method, as allowed by Accounting Standards Codification ("ASC") 740-270-30-18, "Income Taxes—Interim Reporting," to calculate the interim income tax provision. The discrete method is applied when the application of the estimated annual effective tax rate is impractical because it is not possible to reliably estimate the annual effective tax rate. The discrete method treats the year to date period as if it was the annual period and determines the income tax expense or benefit on that basis. We believe that, at this time, the use of this discrete method is more appropriate than the annual effective tax rate method as (i) the estimated annual effective tax rate method is not reliable due to the high degree of uncertainty in estimating annual pretax earnings by jurisdiction and (ii) our ongoing assessment that the recoverability of our deferred tax assets is not likely in several jurisdictions.

The CARES Act, among other things, permits net operating loss ("NOL") carryovers and carrybacks to offset 100% of taxable income for taxable years beginning before 2021. In addition, the CARES Act allows NOLs incurred in 2018, 2019, and 2020 to be carried back to each of the five preceding taxable years. Due to the company's historical NOLs, the NOL carryback provision of the CARES Act would not result in a benefit.

## **Liquidity and Capital Resources**

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. However, our assumptions and expectations may be impacted by the uncertain duration and extent of the adverse economic conditions caused by the COVID-19 pandemic.

Our cash position decreased in the six months ended June 30, 2020 primarily from cash used in operating activities and purchases of property and equipment, partially offset by borrowing on our revolving loan.

### ***Cash Flows from Operating Activities***

During the six months ended June 30, 2020, net cash used in operations was \$2.8 million, compared to net cash provided by operations of \$4.9 million in the same period of the prior year. Both periods included benefits from cash income generated from operations before changes in operating assets and liabilities. Such benefits were then either increased or decreased, depending on period, by the net impact of changes in assets and liabilities, primarily related to the amount and timing of client revenue billings and collections as well as vendor purchasing and payment activity. In the six months ended June 30, 2020, there was a reduced cash flow benefit from a seasonality driven reduction in accounts receivable. In addition, one of our clients began to transition away from our service offering of credit card collections from this client's customers which further increased our net cash used in operations. We expect the impact from the change in this client's service offering to have a reduced impact on cash flows from operating activities for the remainder of 2020.

We have deferred payment of the employer portions of Social Security and RRTA taxes that would otherwise be due from March 27 through December 31, 2020, by election of the option provided in terms of the CARES Act. This has resulted in deferred payments through June 30, 2020 totaling \$1.2 million, due in equal payments on December 31, 2021 and December 31, 2022 and we expect to defer between \$3.5 million and \$4.0 million through December 31, 2020.

### ***Cash Flows from Investing Activities***

Cash used in investing activities included capital expenditures of \$1.7 million and \$1.9 million during the six months ended June 30, 2020 and 2019, respectively, exclusive of property and equipment acquired under debt and finance lease financing, which consisted primarily of capitalized software costs and equipment purchases.

Capital expenditures have historically consisted of additions to upgrade our management information systems, development of customized technology solutions to support and integrate with our service fee clients and general expansion and upgrades to our facilities, both domestic and foreign. We expect to incur capital expenditures to support new facilities, contracts and anticipated future growth opportunities. Based on our current client business activity and our targeted growth plans, we anticipate our total investment in upgrades and additions to facilities and information technology solutions and services for the upcoming twelve months, including costs to implement new clients, will be approximately \$7.0 million to \$9.0 million, although additional capital expenditures may be necessary to support the infrastructure requirements of new clients. To maintain our current operating cash position, a portion of these expenditures may be financed through client reimbursements, debt, operating or finance leases or additional equity. We may elect to modify or defer a portion of such anticipated investments in the event that we do not obtain the financing results necessary to support such investments.

#### ***Cash Flows from Financing Activities***

During the six months ended June 30, 2020, cash provided by financing activities was \$1.8 million and during the six months ended June 30, 2019, cash used in financing activities was \$6.7 million. The balances in both periods were primarily due to net borrowing and payment activity on our revolving loan and other debt.

#### ***Working Capital***

During the six months ended June 30, 2020, our working capital increased to \$22.4 million compared to \$14.3 million at December 31, 2019. This increase was primarily related to income generated from operations before working capital changes, plus net borrowings on our revolving debt facility, partially offset by capital expenditures.

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

Our term and revolving loan facilities described below contain both financial and non-financial covenants. To the extent we fail to comply with our debt covenants, including the financial covenant requirements, and we are not able to obtain a waiver, the lenders would be entitled to accelerate the repayment of any outstanding credit facility obligations, and exercise all other rights and remedies, including sale of collateral. An acceleration of the repayment of our credit facility obligations may have a material adverse impact on our financial condition and results of operations. We can provide no assurance we will have the financial ability to repay all such obligations. As of June 30, 2020, 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.

#### ***Inventory Financing***

To finance its distribution of Ricoh products in the U.S., Supplies Distributors has a short-term credit facility with IBM Credit LLC and its assignees ("IBM Credit") that provides financing for eligible inventory and certain receivables for up to \$7.5 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.

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 \$1.0 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.

#### ***Debt and Finance Lease Obligations***

*U.S. Credit Agreement.* In August 2015, we entered into a credit agreement ("Credit Agreement") with Regions Bank, as agent for itself and one or more future lenders (the "Lenders"). Under the Credit Agreement, and subject to the terms set forth therein, the Lenders provided us with a revolving loan facility for up to \$32.5 million and a term loan facility for up to \$30 million. Borrowings under the Credit Agreement accrued interest at a variable rate based on prime rate or Libor, plus an applicable margin.

On November 1, 2018, we entered into Amendment No. 1 to our credit agreement with Regions Bank (the “Amended Facility”). The Amended Facility provided for an increase in availability of our revolving loans to \$60.0 million, with the ability for a further increase of \$20.0 million to \$80.0 million, and the elimination of the term loan. Amounts outstanding under the term loan were reconstituted as revolving loans. The Amended Facility also extended the maturity date to November 1, 2023.

As of June 30, 2020 and December 31, 2019, the weighted average interest rate on the revolving loan facility was 2.76% and 3.96%, respectively. The Amended Facility is secured by a lien on substantially all of the operating assets of the US entities and a pledge of 65% of the shares of certain of our foreign subsidiaries. The Amended Facility 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.

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

Other than our finance and operating lease commitments, we do not have any other material financial commitments, although future client contracts may require capital expenditures and lease commitments to support the services provided to such clients.



**ITEM 3. Quantitative and Qualitative Disclosure about Market Risk**

Not applicable.

**ITEM 4. Controls and Procedures***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, 2020, 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 six months ended June 30, 2020, 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. Most of our employees, excluding our warehouse workers, are working remotely due to the COVID-19 pandemic. We have not experienced any material adverse impact to our internal controls over financial reporting due to our change in operations. We are continually monitoring and assessing whether these changes in operations as a response to the COVID-19 pandemic will have any impact on the design and operating effectiveness of our internal controls.

## **PART II. OTHER INFORMATION**

### **ITEM 1. Legal Proceedings**

None.

### **ITEM 1A. Risk Factors**

There have been no material changes from the risk factors disclosed in Part I, Item 1A. of our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, as supplemented by our Form 10-K/A filed with the Securities and Exchange Commission on April 29, 2020.

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

None.

### **ITEM 3. Defaults Upon Senior Securities**

None.

### **ITEM 4. Mine Safety Disclosures**

Not applicable.

### **ITEM 5. Other Information**

None.

**ITEM 6. Exhibits**

## a) Exhibits:

<b>Exhibit No.</b>	<b>Description of Exhibits</b>
3.1	<a href="#">Amended and Restated Certificate of Incorporation of PFSweb, Inc.</a>
3.1.1	<a href="#">Certificate of Amendment of Certificate of Incorporation of PFSweb, Inc.</a>
3.1.2	<a href="#">Certificate of Amendment to Certificate of Incorporation of PFSweb, Inc.</a>
3.1.3	<a href="#">Certificate of Amendment to Certificate of Incorporation of PFSweb, Inc.</a>
3.1.4	<a href="#">Certificate of Amendment to Amended and Restated Certificate of Incorporation of PFSweb, Inc.</a>
3.2	<a href="#">Amended and Restated By-Laws.</a>
3.2.1	<a href="#">Amendment to the Amended and Restated By-Laws of PFSweb, Inc.</a>
3.2.2	<a href="#">Amendment to the Amended and Restated By-Laws of PFSweb, Inc.</a>
3.2.3	<a href="#">Amendments to the Amended and Restated By-Laws of PFSweb, Inc.</a>
4.1	<a href="#">Amendment No. 7 to Rights Agreement, dated as of June 27, 2018 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.</a>
10.1*	<a href="#">Employment Agreement by and between Priority Fulfillment Services, Inc., a Delaware corporation and Zach Thomann, dated as of May 17, 2020</a>
31.1**	<a href="#">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.</a>
31.2**	<a href="#">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.</a>
32.1**	<a href="#">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.</a>
101**	The following unaudited financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020, formatted in Inline XBRL: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations and Comprehensive Income, (iii) Condensed Consolidated Statements of Shareholders' Equity, (iv) Condensed Consolidated Statements of Cash Flows, and (v) Notes to Condensed Consolidated Financial Statements.
104**	Cover Page Interactive Data file, formatted in Inline XBRL (included as Exhibit 101).

\* Denotes management or compensatory agreements

\*\* Filed herewith

## SIGNATURES

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

Date: August 7, 2020

PFSweb, Inc.

By: /s/ Thomas J. Madden

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Thomas J. Madden

Chief Financial Officer

Executive Vice President

**EMPLOYMENT AGREEMENT**

This EMPLOYMENT AGREEMENT (the “Agreement”) is made effective as of May 17, 2020 (the “Effective Date”) by and between Priority Fulfillment Services, Inc., a Delaware corporation (the “Employer”), and Zach Thomann (the “Executive”). In consideration of the mutual covenants contained in this Agreement, the Employer and the Executive agree as follows:

1. Employment. The Employer agrees to employ the Executive and the Executive agrees to be employed by the Employer on the terms and conditions set forth in this Agreement. The term of such employment shall commence on the date hereof and shall continue until terminated by either party as set forth herein.

2. Capacity. Subject to the terms and conditions of this Agreement, the Executive shall serve the Employer as Executive Vice President & General Manager of PFS. The Executive shall also serve one or more of the direct or indirect subsidiaries or affiliates of Employer’s parent organization, PFSweb, Inc., a Delaware corporation (including its direct and indirect subsidiaries, collectively, “PFSweb”), in such office or such other or additional offices as the Executive may be requested to serve by the Chief Executive Officer of PFSweb (the “CEO”). In such capacity or capacities, the Executive shall report directly to the CEO, or to such other officer of PFSweb as the CEO shall direct, and shall perform such services and duties in connection with the business, affairs and operations of the Employer and/or one or more of the direct or indirect subsidiaries or affiliates of Employer or of PFSweb as are commensurate with such position and/or as may be assigned or delegated to the Executive from time to time by or under the authority of the CEO or such other officer of PFSweb as the CEO shall direct.

3. Compensation and Benefits. The regular compensation and benefits payable to the Executive under this Agreement shall be as follows:

(a) *Salary*. For all services rendered by the Executive under this Agreement, the Employer shall pay the Executive a salary (the “Salary”) as set forth on Schedule 1 attached hereto and incorporated herein. The Salary shall be payable in periodic installments in accordance with the Employer’s or PFSweb’s usual practice for its management personnel.

(b) *Bonus*. The Executive shall be entitled to incentive stock options and participate in an annual equity incentive and/or bonus program as set forth on Schedule 2 attached hereto and incorporated herein.

(c) *Benefits*. The Executive shall be entitled to participate in the health insurance and other benefit plans set forth on Schedule 3 attached hereto and incorporated herein. Such participation shall be subject to the terms of the applicable plan documents, generally applicable policies of the Employer or PFSweb, applicable law and the discretion of any administrative or other committee provided for in or contemplated by any such plan. Nothing contained in this Agreement shall be construed to create any obligation on the part of the Employer or PFSweb to

establish any such plan or to maintain the effectiveness of any such plan that may be in effect from time to time.

(d) *Severance*. The Executive shall be entitled to the severance benefits set forth on Schedule 4 attached hereto and incorporated herein.

(e) *Reimbursement of Business Expenses*. The Employer shall reimburse the Executive for all reasonable expenses incurred by the Executive in performing services during the term of this Agreement, in accordance with PFSweb's applicable policies and procedures, as in effect from time to time.

(f) *Indemnification*. Employee shall be provided indemnification to the maximum extent permitted by the Employer's Certificate of Incorporation and Bylaws and will be provided indemnification under the terms of an Indemnification Agreement on no less favorable terms than provided to other officers. Employer maintains one or more policies for directors' and officers' liability insurance (such policies and any replacements thereof, the "D&O Policy") and Employee shall be provided coverage under such D&O Policy as an "insured person" for any acts or omissions by Employee in the performance of her duties or position as an officer, employee or agent of the Employer or any subsidiary thereof.

4. Extent of Service. During the Executive's employment under this Agreement, the Executive shall devote the Executive's full business time, best efforts and business judgment, skill and knowledge to the advancement of the Employer's and PFSweb's interests and to the discharge of the Executive's duties and responsibilities under this Agreement. The Executive shall not engage in any other business activity, except as may be approved by the CEO; provided that nothing in this Agreement shall be construed as preventing the Executive from:

(a) engaging in and/or investing the Executive's assets in any company or other entity that are not considered a "Competing Business" as defined hereinafter in a manner otherwise not prohibited by this Agreement and in such form or manner as shall not require any material activities on the Executive's part in connection with the operations or affairs of the companies or other entities in which such investments are made; or

(b) engaging in religious, charitable or other community or non-profit activities that do not impair the Executive's ability to fulfill the Executive's duties and responsibilities under this Agreement.

5. Termination. The Executive's employment under this Agreement shall terminate under any of the following circumstances set forth in this Section 5.

(a) Termination by the Employer for Cause. The Executive's employment under this Agreement may be terminated by the Employer for Cause (as defined herein) without further liability on the part of the Employer effective immediately upon written notice to the Executive. The term "Cause" shall mean: (i) a material breach by Executive of any term set forth in this Agreement; (ii) Executive's failure to follow the reasonable instructions of the CEO

or the Board of Directors of Employer or PFSweb; (iii) misconduct on Executive's part that is materially injurious to the Employer or PFSweb, monetarily or otherwise, including misappropriation of trade secrets, fraud, or embezzlement; (iv) Executive's conviction for fraud or any other felony or a crime involving dishonesty or moral turpitude; or (v) if Executive continually exhibits in regard to the Executive employment unavailability for service or habitual neglect or (vi) the Executive's substantial or material failure or refusal to perform according to, or comply with, the policies, procedures or practices established by the Company or the Board. For purposes of 5 (a) (i), (ii), (v) and (vi) above, Employer will provide written notification of Cause event to Executive and Executive will have 30 days to address and cure such Cause event in a manner acceptable to Employer. If the Executive cures the Cause event in a manner acceptable to the Employer during the 30 day period, Cause event shall be deemed not to have occurred.

(b) Termination by the Executive. The Executive's employment under this Agreement may be terminated by the Executive (i) at any time, for any reason or no reason, upon prior written notice to the Employer or (ii) for Good Reason (as defined below). For purposes of this Agreement, "Good Reason" shall mean that that the Executive has complied with the Good Reason Process (as defined below) following the occurrence of any of the following events:

(i) a substantial diminution or other substantive adverse change, not consented to by the Executive, in the nature or scope of the Executive's responsibilities, authorities, powers, functions or duties;

(ii) an involuntary reduction of 20% or more in the Executive's base Salary except for across-the-board reductions similarly affecting all or substantially all similar management level employees; or

(iii) a breach by the Employer of any of its other material obligations under this Agreement.

"Good Reason Process" shall mean that: (A) the Executive reasonably determines in good faith that a "Good Reason" event has occurred; (B) the Executive notifies the Employer in writing of the occurrence of the Good Reason event within 30 days of the occurrence of such event and expressly identifies such notice as a "Good Reason Notice" under this Section; (C) the Executive cooperates in good faith with the Employer's efforts, for a period not less than 30 days following such notice, to modify the Executive's employment situation in a manner acceptable to the Executive and the Employer; and (D) notwithstanding such efforts, one or more of the Good Reason events continues to exist and has not been modified in a manner acceptable to the Executive. If the Employer cures the Good Reason event in a manner acceptable to the Executive during the 30 day period, Good Reason shall be deemed not to have occurred.

(c) Termination by the Employer without Cause. The Executive's employment under this Agreement may be terminated by the Employer at any time without Cause upon written notice to the Executive. Executive acknowledges and agrees that, for all purposes, Executive's employment hereunder shall be deemed "employment at will."

(d) Death. The Executive's employment with the Employer shall terminate upon the Executive death.

(e) Disability. If the Executive shall be disabled so as to be unable to perform the essential functions of the Executive's then existing position or positions under this Agreement with or without reasonable accommodation, the CEO may remove the Executive from any responsibilities and/or reassign the Executive to another position with the Employer during the period of such disability. Notwithstanding any such removal or reassignment, the Executive shall continue to receive the Executive's full Salary (less any disability pay or sick pay benefits to which the Executive may be entitled under the Employer's policies) and benefits under Section 4 of this Agreement (except to the extent that the Executive may be ineligible for one or more such benefits under applicable plan terms) for a period of six (6) months and the Executive's employment may be terminated by the Employer at any time thereafter. If any question shall arise as to whether during any period the Executive is disabled so as to be unable to perform the essential functions of the Executive's then existing position or positions with or without reasonable accommodation, the Executive may, and at the request of the Employer shall, submit to the Employer a certification in reasonable detail by a physician selected by the Employer to whom the Executive or the Executive's guardian has no reasonable objection as to whether the Executive is so disabled or how long such disability is expected to continue, and such certification shall for the purposes of this Agreement be conclusive of the issue. The Executive shall cooperate with any reasonable request of the physician in connection with such certification. If such question shall arise and the Executive shall fail to submit such certification, the Employer's determination of such issue shall be binding on the Executive. Nothing in this Section shall be construed to waive the Executive's rights, if any, under existing law including, without limitation, the Family and Medical Leave Act of 1993, 29 U.S.C. §2601 et seq. and the Americans with Disabilities Act, 42 U.S.C. §12101 et seq.

6. Compensation Upon Termination.

(a) If the Executive's employment with the Employer is terminated under any provision of Section 5 above, the Employer shall pay or provide to the Executive (or to the Executive authorized representative or estate) (i) any earned but unpaid Salary, (ii) any vested and accrued, but unpaid, bonus compensation, (iii) any unpaid expense reimbursements, and (iv) any other accrued and vested benefits the Executive may have under any employee benefit plan of the Employer or PFSweb or under any other written agreement between Executive and the Employer or PFSweb, including as set forth on any Schedule attached hereto.

(b) Notwithstanding the foregoing, nothing in this Section shall be construed to affect the Executive's right to receive continuation of group health plan benefits to the extent authorized by and consistent with 29 U.S.C. § 1161 et seq. (commonly known as "COBRA") at the Executive's own cost. The Executive shall be obligated to give prompt notice of the date of commencement of any employment during the benefits continuation period and shall respond promptly to any reasonable inquiries concerning any employment in which the Executive engages during the benefits continuation period.



7. Non-competition; Non-solicitation. .In consideration of the covenants to be performed by the Employer hereunder, the Executive agrees as follows:

(a) Except as provided below, for a period commencing on the date hereof and ending on the last day of the Restricted Period (as hereinafter defined), for any reason, including but not limited to voluntary termination by the Executive or involuntary termination by the Employer, the Executive shall not, without the prior written consent of the CEO of PFSweb, Inc., either directly, indirectly, separately or in association with others:

(i) participate in or be connected with, engage in the operation of, , or have any financial interest in (whether as an officer, director, employee, partner, owner, member, lender, shareholder, operator, consultant or otherwise) any entity, firm, business or trust that itself engages in, or through a subsidiary or affiliate that principally engages in Employer's and/or PFSweb's business areas then conducted, more specifically, (1) eCommerce design, consulting and strategy, (2) digital marketing services, (3) agency and professional/technology development and managed services, including support services related to (1) – (3), (4) order fulfillment, order execution and warehouse management, (5) call center services, (6) payment processing, and (7) strategic and technological services related to (4) – (6), or known by the Executive to be proposed to be conducted by Employer and/or PFSweb (hereinafter, a "Competing Business") or solicit, perform, or provide, or attempt to perform or provide services of a Competing Business, nor will Executive assist another person to solicit, perform or provide or attempt to perform or provide services of a Competing Business;

(ii) employ, attempt to employ, or cause or encourage others to employ or interfere, or otherwise interfere or attempt to interfere, with the employment, contractual or other business relationships between the Employer and/or PFSweb, on the one hand, and any of its Customers, providers, payors, vendors, suppliers or agents, on the other hand for the purpose of engaging in a Competing Business;

(iii) solicit, induce or attempt to induce any current and existing business contacts, Customer or Potential Customer of the Employer and/or PFSweb, to terminate, diminish, or materially alter in a manner its relationship with Employer and/or PFSweb that would be economically harmful to Employer and/or PFSweb;

(iv) solicit or assist in the solicitation of any Customer or Potential Customer to induce or attempt to induce such Customer or Potential Customer to purchase or contract for any Competing Business; or

(v) advise or encourage any provider, payor, consultant or representative or client of, or vendor or supplier to the Employer and/or PFSweb to terminate the Executive or its relationship with the Employer and/or PFSweb or to reduce the amount of business it does with the Employer and/or PFSweb; or

(vi) solicit, induce, encourage, or participate in soliciting, inducing or encouraging any person known to me to be an officer, director, employee, consultant,

independent contractor or other personnel of Employer and/or PFSweb at the time of such solicitation to (i) terminate or discontinue his or her relationship and/or employment with Employer and/or PFSweb; (ii) terminate his or her relationship with Employer and/or PFSweb to render services to me or any other person or entity that researches, develops, markets, sells, performs or provides or is preparing to develop, market, sell, perform or provide Competing Business.

(b) For the purpose of any provision in this Section, a “Customer or Potential Customer” means any person or entity who or which, at any time during the one (1) year period prior to Executive’s contact with such person or entity as described in Sections 6(a) above if such contact occurs during Executive’s employment or, if such contact occurs following the termination of Executive’s employment, during the one (1) year period prior to the date Executive’s employment with Employer ends: (i) contracted for, was billed for, or received from Employer, any Employer product, service or process with which Executive worked directly or indirectly during his/her employment with Employer or about which Executive acquired Confidential Information; or (ii) was in contact with Executive or in contact with any other employee, owner, or agent of Employer and/or PFSweb, of which contact I was or should have been aware, concerning the sale or purchase of, or contract for, any Employer product, service or process with which Executive worked directly or indirectly during his/her employment with Employer or about which Executive acquired Confidential Information; or (iii) was solicited by Employer in an effort in which Executive was involved or of which Executive was aware.

(c) Nothing in this Agreement shall prohibit the Executive from owning one percent (1%) or less of the issued and outstanding securities of a company which is engaged in a Competing Business whose securities are listed on a national securities exchange or listed on the NASDAQ National Market System.

(d) For purposes of any provision of this Section, “directly or indirectly” means in the Executive’s individual capacity for the Executive own benefit or for the benefit of any other person or entity, or as a shareholder, partner, member or other principal, officer, director, trustee, manager, employee, agent or consultant of or to any person or entity whatsoever.

(e) As used herein, the term “Restricted Period” means the period commencing on the date hereof and ending on the twelve (12) month anniversary of the date of termination of Executive’s employment hereunder.

(f) The Executive acknowledges and agrees that the restrictions and provisions contained in this Section and this Agreement are reasonable and necessary to protect the legitimate interests of the Employer, that the provisions contained in this Agreement are required to preserve for the Employer its goodwill, that the Employer would not have entered into this Agreement in the absence of such restrictions, that any violation of such restrictions and provisions will result in irreparable injury to the Employer, that the remedy at law for any breach of the foregoing restrictions will be inadequate, and that, in the event of any such breach, the Employer, in addition to any other relief available to it, shall be entitled to temporary and

permanent injunctive relief. The Executive further specifically acknowledges and agrees that the Employer shall be entitled to an equitable accounting of all earnings, profits and other benefits arising from any such breach, and further agrees to pay the reasonable legal fees and expenses incurred by the Employer in successfully enforcing the provisions contained herein.

(g) The Executive acknowledges that she has entered into this Agreement with full understanding and acceptance of the terms hereof. Executive agrees that this Agreement does not prevent him/her from earning a living or pursuing a career. The Executive acknowledges that the restrictions imposed herein are fair and reasonable and are necessitated by Employer's legitimate business interests and required for the protection of the Employer and are given as an integral part of the employment agreement contained herein. Executive further acknowledges that she has the ability and skills to obtain gainful employment in the industry of the Executive choosing while concurrently complying with the terms and provisions of this Agreement. The Executive expressly agrees that the provisions contained herein are severable independent covenants and are reasonable limitations as to time, geographical area and scope of activity, and such restrictions do not impose a greater restraint than is necessary to protect the goodwill or other business interests of the Employer. If any of the covenants contained in this Agreement, or any part hereof, is hereinafter construed to be invalid or unenforceable, the same shall not affect the remainder of the covenant or covenants, which shall be given full effect, without regard to the invalid portions. If any of the covenants contained in this Agreement, or any part hereof, is held to be unenforceable because of the duration of such provision or the area covered thereby, the parties agree that the court making such determination shall have the power to reduce the duration and/or geographic area of such provision and, in its reduced form, said provision shall then be enforceable. The Executive acknowledges that the parties intend to and hereby confer jurisdiction to enforce the covenants contained in this Agreement upon the courts of any state within the geographical scope of such covenants. In the event that the courts of any one or more of such states shall hold such covenants wholly unenforceable by reason of the breadth of such scope or otherwise, it is the intention of the parties hereto that such determination not bar or in any way affect the right of the Employer to the relief provided above in the courts of any other states within the geographical scope of such covenants, as to breaches of such covenants in such other respective jurisdictions, the above covenants as they relate to each state being, for this purpose, severable into diverse and independent covenants. The existence of any claim or cause of action by Executive against the Employer shall not constitute a defense to the enforcement of this Agreement. with the maximum protection of its business interests allowed by law and I agree to be bound by this Agreement as modified

8. No Other Obligations. Executive represents that Executive is not precluded or limited in Executive's ability to undertake or perform the duties described herein by any contract, agreement or restrictive covenant. Executive covenants that Executive shall not disclose or employ the trade secrets or proprietary information of any other individual or entity in connection with Executive's employment by the Employer. The Executive represents to the Employer that the Executive's execution of this Agreement, the Executive's employment with the Employer and the performance of the Executive's proposed duties for the Employer will not violate any obligations the Executive may have to any such previous employer or other party. In the Executive's work for the Employer, the Executive will not disclose or make use of any

information in violation of any agreements with or rights of any such previous employer or other party, and the Executive will not bring to the premises of the Employer any copies or other tangible embodiments of non-public information belonging to or obtained from any such previous employment or other party.

9. Confidentiality. As a condition of employment hereunder, Executive agrees to execute the Confidential Information and Inventions Agreement attached hereto as Exhibit B and made a part hereof. Further, Executive agrees to keep confidential the terms of this Agreement. This provision shall not prohibit Executive from providing this information on a confidential and privileged basis to Executive's attorneys or accountants for purposes of obtaining legal or tax advice, to enforce this Agreement or as otherwise required by law, nor will this provision prevent Executive from introducing this Agreement in court or in arbitration in connection with any dispute involving this Agreement.

10. Cooperation.

(a) Executive shall, during the term of this Agreement and thereafter, at the reasonable request of the Employer, fully cooperate with any member of the Employer Group and their affiliates in connection with the prosecution or defense of any claim, action, arbitration, suit or proceeding against or by a third party relating to any member of the Employer Group or any of their affiliates, including, without limitation, providing access to Executive's files and records that are relevant to such claim, action, arbitration, suit or proceeding and appearing as a witness in any such claim, action, arbitration, suit or proceeding (collectively, the "Cooperative Services"). To the extent Executive provides any such Cooperative Services following the termination of the Executive employment, Executive shall be reimbursed for all reasonable costs and expenses from time to time actually incurred by Executive in connection with the Executive provision of such Cooperative Services.

(b) Upon termination of employment hereunder, Executive will cooperate with the Employer in the winding up or transferring to other employees any pending work or projects. Executive agrees that all property, including, without limitation, all equipment, tangible Proprietary Information, documents, books, records, reports, notes, contracts, lists, computer disks (and other computer-generated files and data), and copies thereof, created on any medium and furnished to, obtained by, or prepared by Executive in the course of, or incident to the Executive employment, belongs to the Employer and shall be returned promptly to the Employer upon termination of the Executive employment.

11. Developments the Property of the Employer. All discoveries, inventions, ideas, technology, formulas, designs, software, programs, algorithms, products, systems, applications, processes, procedures, methods and improvements and enhancements conceived, developed or otherwise made or recreated or otherwise produced by Executive at any time during the term of this Agreement, alone or with others, and in any way relating to the present or proposed business, products or services of any member of the Employer Group, whether or not subject to patent, copyright or other protection and whether or not reduced to tangible form, during the period of Executive's employment with the Employer ("Developments"), shall be the sole and exclusive property of the Employer. Executive agrees to, and hereby does, assign to the Employer, without

any further consideration, all of Executive's right, title and interest throughout the world in and to all Developments. Executive agrees that all such Developments constitute works made for hire under the copyright and other laws of the United States and, as such, acknowledges that the Employer is the author of such Developments and owns all of the rights comprised in such Developments, and Executive hereby assigns to the Employer without any further consideration all of the rights comprised in the copyright and other proprietary rights Executive may have in any such Development to the extent that it might not be considered a work made for hire. Executive shall make and maintain adequate and current written records of all Developments and shall disclose all Developments promptly, fully and in writing to the Employer promptly after development of the same, and at any time upon request.

12. Consent to Jurisdiction. The parties hereby consent to the jurisdiction of the state and federal courts of Texas and solely for such purpose each party submits to the personal jurisdiction of such courts.

13. Integration. This Agreement, including the Schedules hereto, constitute the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements between the parties with respect to any related subject matter, all of which prior agreements, if any, are hereby terminated and of no further force or effect.

14. Assignment; Successors and Assigns, etc. Neither the Employer nor the Executive may make any assignment of this Agreement or any interest herein, by operation of law or otherwise, without the prior written consent of the other party; *provided* that the Employer may assign its rights under this Agreement without the consent of the Executive in the event that the Employer shall effect a reorganization, consolidate with or merge into any other corporation, partnership, organization or other entity, or transfer all or substantially all of its properties or assets to any other corporation, partnership, organization or other entity. This Agreement shall inure to the benefit of and be binding upon the Employer and the Executive, their respective successors, executors, administrators, heirs and permitted assigns.

15. Enforceability. If any portion or provision of this Agreement (including, without limitation, any portion or provision of any section of this Agreement) shall to any extent be declared illegal or unenforceable by a court of competent jurisdiction, then the remainder of this Agreement, or the application of such portion or provision in circumstances other than those as to which it is so declared illegal or unenforceable, shall not be affected thereby, and each portion and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

16. Waiver. No waiver of any provision hereof shall be effective unless made in writing and signed by the waiving party. The failure of any party to require the performance of any term or obligation of this Agreement, or the waiver by any party of any breach of this Agreement, shall not prevent any subsequent enforcement of such term or obligation or be deemed a waiver of any subsequent breach.

17. Notices. Any notices, requests, demands and other communications provided for by this Agreement shall be sufficient if in writing and delivered in person or sent by a nationally

recognized overnight courier service or by registered or certified mail, postage prepaid, return receipt requested, to the Executive at the last address the Executive has filed in writing with the Employer or, in the case of the Employer, at the principal executive office of PFSweb, attention CEO, and shall be effective on the date of delivery in person or by courier or three (3) days after the date mailed.

18. Amendment. This Agreement may be amended or modified only by a written instrument signed by the Executive and by a duly authorized representative of the Employer.

19. Governing Law. This agreement shall be construed under and be governed in all respects by the laws of the State of Texas, without giving effect to the conflict of laws principles of such State.

20. Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be taken to be an original; but such counterparts shall together constitute one and the same document.

21. **Waiver of Jury Trial**. Each party agrees to waive its rights to a jury trial of any claim or cause of action based upon or arising out of this Agreement. This waiver is irrevocable and shall apply to any subsequent amendment, renewal, supplement or modification of this Agreement.

[signatures on next page]

IN WITNESS WHEREOF, this Employment Agreement has been executed by the Employer, by its duly authorized officer, and by the Executive, as of the date set forth above.

Priority Fulfillment Services, Inc.

By: /s/Latrice Robinson

Latrice Robinson

Vice President, Human Resources

/s/Zach Thomann

Zach Thomann

## SCHEDULE 1

Base Annual Salary of \$375,000

## SCHEDULE 2

Bonus:

Executive will be able to participate in the 2020 Executive Short-term and Long-term Variable Compensation programs. Your 2020 STI program includes potential cash and stock awards targeted at a total of \$243,750. Your 2020 LTI program includes potential stock awards and is also targeted at \$243,750 and is subject to vesting.

As a reference point, the 2019 Short Term Incentive (STI) Plan was weighted 50% PFS Direct Contribution and 50% on PFS Revenue performance, (Both Direct Contribution and Revenue STI related awards are calculated based on PFS's actual performance as compared to its targeted performance for the year as determined by the Compensation Committee of the Board of Directors.).

The 2020 Long Term Incentive program (LTI) is expected to include both Restricted Stock Units (50%) and Performance Based Restricted Stock Units (50%) and will require vesting over a three-year period. The RSU award is expected to vest in 3 equal annual installments subject to continued employment; the remaining Performance Based Restricted Stock Units ("PSUs") are expected to vest over a three-year period with vesting dependent upon the PFSweb share price performance meeting or exceeding a stated public company market index performance (i.e. Russell Micro Cap index). The LTI award will be determined using a share count equivalent based on the formula set by the PFSW Compensation Committee.

The 2020 STI and LTI program awards described above are contingent upon PFSweb shareholder approval of incremental shares to be made available under the Company's Stock plan.

## SCHEDULE 3

Executive shall participate and have access to other reimbursable expenses and allowances including enrollment in the Employer group benefit plans, as currently maintained, subject to the right of the Employer, upon such date or dates to be determined by it, to replace one or more of such Employer plans with one or more other group benefit plans, which currently consist of group health, dental, life, short-term disability and long-term disability benefit plans and other programs, policies and benefits under the Total Rewards package.

## SCHEDULE 4

Executive shall be entitled to Severance and Benefits in accordance with the terms and provisions of Exhibit A attached hereto and incorporated herein.



## EXHIBIT A

1. If the Employer terminates the Executive's employment without Cause, or if the Executive terminates employment for Good Reason (each, a "Qualifying Termination"), then, upon execution and non-revocation of a release agreement that is reasonably acceptable to the Employer (the "Release") within the 90-day period described below, and subject to Executive's continuing compliance with obligations hereunder, including the obligations set forth in Sections 7, 9, 10 and 11 hereof, Employer shall pay Executive an equivalent of equivalent of 12 months of Executive's then base Salary (the "Severance"). The Severance will be paid in equal installments over a period of 12 months, net of any withholdings and taxes and in accordance with the Employer's ordinary pay policies. Payment of the Severance shall commence within 90 days following Executive's termination of employment, provided that within such 90-day period, Executive executes and does not revoke the Release, and provided further that if the 90-day period begins in one calendar year and ends in a subsequent calendar year, payment of the Severance shall commence in such subsequent calendar year. Each payment of Severance shall constitute a separate payment for purposes of Section 409A.

3. In the event of a Qualifying Termination, all of Executive's medical, dental and insurance benefits (the "Benefits") will cease. Executive will be offered the option of continuing health insurance benefits under COBRA at Executive's sole expense.

4. The parties agree that it is the intent of the parties to comply with the applicable provisions of Section 409A of the Internal Revenue Code of 1986, as amended and the Treasury regulations promulgated thereunder ("Section 409A"), and this Agreement shall be deemed amended as may be necessary to fully comply with said Section 409A in order to preserve the payments and benefits provided hereunder without additional cost to either party. Without in any way limiting the generality of the foregoing, the parties agree that (i) if at the time of the Executive's termination of employment, the Executive is considered a "specified employee" within the meaning of Section 409A, and if any payment that the Executive becomes entitled to under this Agreement is considered deferred compensation subject to interest and additional tax imposed pursuant to Section 409A, then no such payment shall be payable prior to the date that is the earlier of (x) six months after the Executive's separation from service, or (y) the Executive's death, (ii) the parties intend (x) the Severance to be exempt from Section 409A to the maximum extent permitted under the short-term deferral rule of Treasury Regulation Section 1.409A-1(b)(4) and/or the separation pay exemption under Treasury Regulation Section 1.409A-1(b)(9)(iii) and (y) the Benefits to be exempt from 409A under Treasury Regulation Section 1.409A-1(b)(9)(v)(B) or 1.409A-1(a)(5) (relating to certain welfare benefits). Executive acknowledges and agrees that Employer does not make any representations, warranties or guarantees about the tax treatment of the Severance or continuation of Benefits under Section 409A or otherwise.

## EXHIBIT B

### **Employee Confidential Information and Inventions Agreement**

In consideration of my employment or continued employment by Priority Fulfillment Services, Inc., and its subsidiaries, parents, affiliates, successors and assigns (together, "**Company**") and the compensation now and later paid to me, and in further consideration of Company providing me with on-going access to and use of Company's Confidential Information (defined below), as well as other valuable consideration, I hereby enter into this Employee Confidential Information and Inventions Agreement (the "**Agreement**").

#### **RECITALS**

WHEREAS, during the course of my employment, I will have access to and knowledge of Company's trade secrets and Confidential Information;

WHEREAS, during the course of my employment, I may develop or assist in the development of, individually or in collaboration with other, certain intellectual property or intellectual property rights or Inventions (as defined hereinafter);

WHEREAS, disclosure of the Company's trade secrets and Confidential Information to competitors could result in material adverse impact to the Company; and

Accordingly, in consideration of the mutual promises and covenants contained herein, Company and I agree as follows:

#### **1. Confidential Information Protections.**

**1.1. Recognition of Company's Rights; Nondisclosure.** I understand and acknowledge that my employment by Company creates a relationship of confidence and trust with respect to Company's Confidential Information (as defined below) and that Company has a protectable interest therein. At all times during and after my employment, I will hold in confidence and will not disclose, use, lecture upon or publish any of Company's Confidential Information, except as such disclosure, use or publication may be required in connection with my work for Company, or unless an officer of Company expressly authorizes such disclosure in writing or I either deem such disclosure to be in the best interests of the Company or such disclosure is necessary in the performance of my responsibilities for the Company. I will obtain Company's written approval before publishing or submitting for publication any material (written, verbal, or otherwise) that discloses and/or incorporates any Confidential Information. I hereby assign to the Company any rights I may have or acquire in such Confidential Information and recognize that as between myself and the Company all Confidential Information shall be the sole and exclusive property of the Company and its assigns. I will take all reasonable precautions to prevent the inadvertent or accidental disclosure by me of Confidential Information. Notwithstanding the foregoing, pursuant to 18 U.S.C. Section 1833(b), I shall not be held criminally or civilly

liable under any Federal or State trade secret law for the disclosure of a trade secret that: (1) is made in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law; or (2) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

**1.2 Confidential Information.** The term "Confidential Information" shall mean any and all confidential knowledge, data or information of Company, which the Company identifies as "confidential," "proprietary" or some similar designation or that reasonably appears to be confidential or proprietary because of legends or other markings, the circumstances of disclosure, or the nature of the information itself. By way of illustration but not limitation, "**Confidential Information**" includes (a) trade secrets, inventions, mask works, ideas, processes, formulas, software in source or object code versions, data, programs, other works of authorship, know-how, improvements, discoveries, developments, designs and techniques and any other proprietary technology, actual or demonstrably anticipated research and development information or data which might suggest new or improved Company Product or Service concepts actively being considered, actual or demonstrably anticipated plans for the introduction of new Company Products or Services, including

information about the specifications, manufacturing costs, pricing plans, market research or data, potential marketing strategy, and prospective users and distribution channels for these products and all Intellectual Property Rights therein (collectively, “**Inventions**”); (b) information regarding actual or demonstrably anticipated research, development, new products, marketing, business plans, budgets and unpublished financial statements, licenses, prices and costs, margins, discounts, credit terms, pricing and billing policies, quoting procedures, methods of obtaining business, forecasts, actual or demonstrably anticipated future plans and strategies, financial projections, operational plans, financing and capital-raising plans, activities and agreements, internal services and operational manuals, methods of conducting Company business, suppliers and supplier information, and purchasing, specific manufacturing processes, procedures and know-how for Company Products or Services, information about the identity, business data, personnel, product lines relating to Company’s distribution system, including sales and service representatives, distributors and other agents; (c) information regarding customers and potential targeted customers of Company, including customer lists, names, representatives, their needs or desires with respect to Company Products and Services, proposals, bids, contracts and their contents and parties, the type and quantity of products and services provided or sought to be provided to customers and actual or demonstrably anticipated potential customers of Company and other non-public information relating to such customers and potential customers; (d) non-public information regarding any of Company’s business partners and their services, including names; representatives, proposals, bids, contracts and their contents and parties, the type and quantity of products and services received by Company, and other non-public information relating to business partners; (e) information regarding personnel, employee lists, compensation, and employee skills (other than such information about me); and (f) any other non-public information of the Company which a competitor of Company could reasonably be deemed to use to the competitive disadvantage of Company. Notwithstanding the foregoing, it is understood that, at all such times, I am free to use information which (i) was known to me prior to employment with Company, (ii) which is generally known or becomes generally known to the public, in the trade or industry through no breach of this Agreement or other act or omission by me, (iii) is obtained by me on a non-confidential basis from a Third Party without breaching such Third Party’s obligations of confidentiality, or (iv) is independently developed by me, as evidenced by written documentation, prior to or after the date of my employment with the Company without

reference or use of the Company’s equipment, supplies, facilities, trade secrets or Confidential Information to which I have access during my employment. Notwithstanding the foregoing or anything to the contrary in this Agreement or any other agreement between Company and me, nothing in this Agreement shall limit my right to discuss my employment or report possible violations of law or regulation with the Equal Employment Opportunity Commission, United States Department of Labor, the National Labor Relations Board, the Securities and Exchange Commission, or other federal government agency or similar state or local agency or to discuss the terms and conditions of my employment with others to the extent expressly permitted by Section 7 of the National Labor Relations Act or to the extent that such disclosure is protected under the applicable provisions of law or regulation, including but not limited to “whistleblower” statutes or other similar provisions that protect such disclosure.

**1.3 Securities Laws.** Employee acknowledges that the United States securities laws and other laws prohibit any person or entity who has material non-public information about a company from purchasing or selling securities of such a company or from communicating such information to any person or entity under circumstances in which it is reasonably foreseeable that such person or entity is likely to purchase or sell such securities.

**1.4 Third Party Information.** I understand, in addition, that Company has received and in the future, will receive from third parties their confidential and/or proprietary knowledge, data or information (“**Third Party Information**”) subject to a duty on Company’s part to maintain the confidentiality of such information and to use it only for certain limited purposes. During my employment and thereafter, I will hold Third Party Information in confidence and will not disclose to anyone (other than Company personnel who need to know such information in connection with their work for Company) or use, except in connection with my work for Company, Third Party Information unless expressly authorized by an officer of Company in writing or is released from confidential treatment by written consent of the Third Party.

**1.5 Term of Nondisclosure Restrictions.** I understand that Confidential Information and Third Party Information is never to be used or disclosed by me, as provided in this Section 1.

**1.6 Restricted Access Granted.** In exchange for my agreement not to disclose or use

Confidential Information, except as required in performing my duties for Company, and the other promises provided herein, Company agrees to grant me access to Confidential Information required to fulfill the duties of my position. I agree that Company has no pre-existing obligation to reveal Confidential Information.

**1.7 Disclosure Required by Law.** In the event I am required by law or a valid and effective subpoena or order issued by either a court of competent jurisdiction or a governmental body to disclose any of the Confidential Information or Third Party Information, I shall promptly notify the Company in writing of the existence, terms, and circumstances surrounding such required disclosure so that the Company may seek a protective order or other appropriate relief from the proper authority. I shall reasonably cooperate with the Company in seeking such order or other relief. If I am nonetheless required to disclose the Company's Confidential Information or Third Party Information, I will furnish only that portion of the Confidential Information or Third Party Information that is legally required and will exercise all reasonable efforts to obtain reliable assurances that such Confidential Information or Third Party Information will be treated confidentially to the extent possible.

**1.8 No Improper Use of Information of Prior Employers and Others.** During my employment by Company, I will not improperly use or disclose confidential information or trade secrets, if any, of any former employer or any other person to whom I have an obligation of confidentiality, and I will not bring onto the premises of Company any unpublished documents or any property belonging to any former employer or any other person to whom I have an obligation of confidentiality unless consented to in writing by that former employer or person.

## 2. Assignments of Inventions.

**2.1 Definitions.** As used in this Agreement, the term "**Intellectual Property Rights**" means all trade secrets, Copyrights, trademarks, mask work rights, patents and other intellectual property rights recognized by the laws of any jurisdiction or country; the term "**Copyright**" means the exclusive legal right to reproduce, perform, display, distribute and make derivative works of a work of authorship (as a literary, musical, or artistic work) recognized by the laws of any jurisdiction or country; and the term "**Moral Rights**" means all paternity, integrity, disclosure, withdrawal, special and any other similar rights of a creator of a

Copyright recognized by the laws of any jurisdiction or country.

**2.2 Excluded Inventions and Other Inventions.** I will provide the Company with a list describing all existing Inventions, if any, that may relate to Company's business or actual or demonstrably anticipated research or development and that were made by me or acquired by me prior to the commencement of my employment with, and which are not to be assigned to, Company ("**Excluded Inventions**") in the form of **Schedule A**. If no such list is attached, I represent and agree that it is because I have no rights in any existing Inventions that may relate to Company's business or actual or demonstrably anticipated research or development. For purposes of this Agreement, "**Other Inventions**" means Inventions in which I have or may have an interest, as of the commencement of my employment, other than Company Inventions (defined below) and Excluded Inventions. I acknowledge and agree that if I use any Excluded Inventions or any Other Inventions in the scope of my employment, or if I include any Excluded Inventions or Other Inventions in any product or service of Company, or if my rights in any Excluded Inventions or Other Inventions may block or interfere with, or may otherwise be required for, the exercise by Company of any rights assigned to Company under this Agreement, I will immediately so notify Company in writing. Unless Company and I agree otherwise in writing as to particular Excluded Inventions or Other Inventions, and to the extent legally permissible by me, I hereby grant to Company, in such circumstances (whether or not I give Company notice as required above), a non-exclusive, perpetual, transferable, fully paid and royalty-free, irrevocable and worldwide license, with rights to sublicense through multiple levels of sublicensees, to reproduce, make derivative works of, distribute, publicly perform, and publicly display in any form or medium, whether now known or later developed, make, have made, use, sell, import, offer for sale, and exercise nay and all present or future rights in, such Excluded Inventions and Other Inventions that I incorporate into any product or service of Company.

**2.3 Assignment of Company Inventions.** Inventions assigned to the Company, or to a third party as directed by the Company pursuant to Section 2.6, are referred to in this Agreement as "**Company Inventions**." Subject to Section 2.4 (Unassigned or Non-assignable Inventions) and except for Excluded Inventions set forth in **Schedule A** and Other Inventions, I hereby assign to the Company all my right, title, and interest in and to any and all Inventions (and all Intellectual Property Rights with respect thereto) made, conceived, reduced to

practice, or learned by me, either alone or with others, during the period of my employment by Company, which pertain to Company Products or Services, or result from or are connected with work performed by me for Company, or otherwise using Company's equipment, supplies, facilities, trade secrets or Confidential Information. To the extent required by applicable Copyright laws, I agree to assign in the future (when any copyrightable Inventions are first fixed in a tangible medium of expression) my Copyright rights in and to such Inventions made, conceived, reduced to practice, or learned by me, either alone or with others, during the period of my employment by Company as described in this Section 2.3. Any assignment of Company Inventions (and all Intellectual Property Rights with respect thereto) hereunder includes an assignment of all Moral Rights. To the extent such Moral Rights cannot be assigned to the Company and to the extent the following is allowed by the laws in any country where Moral Rights exist, I hereby unconditionally and irrevocably waive the enforcement of such Moral Rights, and all claims and causes of action of any kind against Company or related to Company's customers, with respect to such rights. I further acknowledge and agree that neither my successors-in-interest nor legal heirs retain any Moral Rights in any Company Inventions (and any Intellectual Property Rights with respect thereto).

**2.4 Unassigned or Non-assignable Inventions.** The parties hereto recognize and agree that this Agreement will not be deemed to have assigned any Invention that I developed independently without using Company's equipment, supplies, facilities, trade secrets or Confidential Information., except for those Inventions that result from or are connected with work performed by me for Company. In addition, this Agreement does not apply to any Invention which qualifies fully for protection from assignment to Company under any specifically applicable state law, regulation, rule or public policy ("*Specific Inventions Law*").

**2.5 Government or Third Party.** I agree that, as directed by Company, I will assign to a third party, including without limitation the United States, all my right, title, and interest in and to any particular Company Invention.

**2.6 Ownership of Work Product.**

(a) I acknowledge that all original works of authorship which are made by me (solely or jointly with others) within the scope of my employment and which are protectable by Copyright are "works made for hire,"

pursuant to United States Copyright Act (17 U.S.C., Section 101).

(b) I agree that the Company will exclusively own all work product that is made by me (solely or jointly with others) within the scope of my employment which pertain to Company Products or Services, or result from or are connected with work performed by me for Company and which use the Company's equipment, supplies, facilities, trade secrets or Confidential Information, and I hereby irrevocably and unconditionally assign to the Company all right, title, and interest worldwide in and to such work product. I understand and agree that I have no right to publish on, submit for publishing, or use for any publication any work product protected by this Section, except as necessary to perform services for Company.

**2.7. Enforcement of Intellectual Property Rights and Assistance.** I will assist Company in every proper way to obtain, and from time to time enforce, United States and foreign Intellectual Property Rights and Moral Rights relating to Company Inventions in any and all countries. To that end I will execute, verify and deliver such documents and perform such other acts (including appearances as a witness) as Company may reasonably request for use in applying for, obtaining, perfecting, evidencing, sustaining and enforcing such Intellectual Property Rights and the assignment thereof. In addition, I will execute, verify and deliver assignments of such Intellectual Property Rights to the Company or its designee, including the United States or any third party designated by the Company. My obligation to assist Company with respect to Intellectual Property Rights relating to such Company Inventions in any and all countries will continue beyond the termination of my employment, but Company will compensate me at a reasonable rate after my termination for the time actually spent by me at Company's request on such assistance. In the event Company is unable for any reason, after reasonable effort, to secure my signature on any document needed in connection with the actions specified in this paragraph, I hereby irrevocably designate and appoint Company and its duly authorized officers and agents as my agent and attorney in fact, which appointment is coupled with an interest, to act for and in my behalf to execute, verify and file any such documents and to do all other lawfully permitted acts to further the purposes of the preceding paragraph with the same legal force and effect as if executed by me. I hereby waive and quitclaim to Company any and all claims, of any nature whatsoever, which I now or may hereafter have for infringement of any Intellectual Property Rights assigned under this Agreement to the Company.

**2.8. Incorporation of Software Code.** I agree that I will not incorporate into any Company software or otherwise deliver to Company any software code licensed under the GNU General Public License or Lesser General Public License or any other license that, by its terms, requires or conditions the use or distribution of such code on the disclosure, licensing, or distribution of any source code owned or licensed by Company except in strict compliance with Company's policies regarding the use of such software.

**3. Records.** I agree to keep and maintain adequate and current records (in the form of notes, sketches, drawings and in any other form that is required by Company) of all Confidential Information developed by me and all Company Inventions made by me during the period of my employment at Company, which records will be available to and remain the sole property of Company at all times.

**4. Duty of Loyalty During Employment.** I agree that during the period of my employment by Company I will not, without Company's express written consent, directly or indirectly engage in any employment or business activity which is directly or indirectly competitive with, or would otherwise conflict with, my employment by Company. Notwithstanding the foregoing, I may (a) serve on the Board of Directors of other entities with the written consent of the Board of Directors of the Company and (b) devote time to personal investments, philanthropic, educational and civic services, and other personal matters, in all cases so long as such activities do not unreasonably interfere with the performance of my duties hereunder to the Company.

**5. No Conflicting Agreement or Obligation.** I represent that my performance of all the terms of this Agreement and as an employee of Company does not and will not breach any agreement to keep in confidence information acquired by me in confidence or in trust prior to my employment by Company. I have not entered into, and I agree I will not enter into, any agreement either written or oral in conflict with this Agreement.

**6. Return of Company Property.** When I leave the employ of Company, I will deliver to Company any and all drawings, notes, memoranda, specifications, devices, formulas and documents, together with all copies thereof, and any other material containing or disclosing any Company Inventions, Third Party Information or Confidential Information of Company. I agree that I will not copy, delete, or alter any information contained upon my Company computer or Company equipment before I return it to Company. In addition, if I have used any

personal computer, server, or e-mail system to receive, store, review, prepare or transmit any Company information, including but not limited to, Confidential Information, I agree to provide Company with a computer-useable copy of all such Confidential Information and then permanently delete and expunge such Confidential Information from those systems, and I agree to certify, if so requested by the Company, in writing that all copies of Confidential Information have been deleted and expunged. I further agree that any property situated on Company's premises and owned by Company, including disks and other storage media, filing cabinets or other work areas, is subject to inspection by Company's personnel at any time with or without notice. Prior to leaving, I will cooperate with Company in attending an exit interview if required to do so by Company. Notwithstanding the foregoing, if Confidential Information is on computers that I own other than a computer supplied by the Company, I shall not be obligated to turnover or destroy copies of Confidential Information made as part of my own electronic computer backups if such turnover or destruction would require the deletion of turnover of the entire backup which may include information that is not Confidential Information; provided, however, that all such information shall remain Confidential Information and shall remain subject to the use and disclosure restrictions contained herein.

**7. Legal and Equitable Remedies.** I agree that it may be impossible to assess the damages caused by my violation of this Agreement or any of its terms. I agree that any threatened or actual violation of this Agreement or any of its terms will constitute immediate and irreparable injury to Company and Company will have the right to seek to enforce this Agreement and any of its provisions by injunction, specific performance or other equitable relief, without bond and without prejudice to any other rights and remedies that Company may have for a breach or threatened breach of this Agreement.

**8. Notices.** Any notices required or permitted under this Agreement will be given to Company at its headquarters location at the time notice is given, labeled "Attention Chief Executive Officer," and to me at my address as listed on Company payroll, or at such other address as Company or I may designate by written notice to the other. Notice will be effective upon receipt or refusal of delivery. If delivered by certified or registered mail, notice will be considered to have been given five (5) business days after it was mailed, as evidenced by the postmark. If delivered by courier or express mail service, notice will be considered to have been given on the delivery date reflected by the courier or express mail service receipt.

**9. Securities Laws.** By executing and delivering this Agreement I confirm that I have been advised that the federal and state securities laws prohibit any person who possesses material, non-public information, including without limitation, any Confidential Information about a company from purchasing or selling securities of such company, so long as such information remains material and non-public, and I agree to comply with all applicable laws and regulations concerning such transactions, including without limitation all applicable securities laws and regulations.

**10. General Provisions.**

**10.1 Governing Law; Consent to Personal Jurisdiction.** This Agreement will be governed by and construed according to the laws of the State of Texas as such laws are applied to agreements entered into and to be performed entirely within Texas between Texas residents. I hereby expressly consent to the personal jurisdiction and venue of the state and federal courts located in or around Dallas, Texas for any lawsuit filed there against me by Company arising from or related to this Agreement.

**10.2 Severability.** In case any one or more of the provisions, subsections, or sentences contained in this Agreement will, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect the other provisions of this Agreement, and this Agreement will be construed as if such invalid, illegal or unenforceable provision had never been contained in this Agreement. If moreover, any one or more of the provisions contained in this Agreement will for any reason be held to be excessively broad as to duration, geographical scope, activity or subject, it will be construed by limiting and reducing it, so as to be enforceable to the extent compatible with the applicable law as it will then appear.

**10.3 Successors and Assigns.** This Agreement is for my benefit and the benefit of Company, its successors, assigns, parent corporations, subsidiaries, affiliates, and purchasers, and will be binding upon my heirs, executors, administrators and other legal representatives.

**10.4 Survival.** The provisions of this Agreement will survive the termination of my employment, and the assignment of this Agreement by Company to any successor in interest or other assignee.

**10.5 Employment At-Will.** I agree and understand that nothing in this Agreement will change my

at-will employment status or confer any right with respect to continuation of employment by Company, nor will it interfere in any way with my right or Company's right to terminate my employment at any time, with or without cause or advance notice.

**10.6 Waiver.** No waiver by Company or myself of any breach of this Agreement will be a waiver of any preceding or succeeding breach. No waiver by Company or myself of any right under this Agreement will be construed as a waiver of any other right. Company will not be required to give notice to enforce strict adherence to all terms of this Agreement.

**10.7 Export.** I agree not to export, reexport, or transfer, directly or indirectly, any U.S. technical data acquired from Company or any products utilizing such data, in violation of the United States export laws or regulations.

**10.8 Advice of Counsel. I ACKNOWLEDGE THAT, IN EXECUTING THIS AGREEMENT, I HAVE HAD THE OPPORTUNITY TO SEEK THE ADVICE OF INDEPENDENT LEGAL COUNSEL, AND I HAVE READ AND UNDERSTOOD ALL OF THE TERMS AND PROVISIONS OF THIS AGREEMENT. THIS AGREEMENT WILL NOT BE CONSTRUED AGAINST ANY PARTY BY REASON OF THE DRAFTING OR PREPARATION OF THIS AGREEMENT.**

**10.9 Entire Agreement.** The obligations pursuant to Sections 1 and 2 (except Subsection 2.4) of this Agreement will apply to any time during which I was previously engaged, or am in the future engaged, by Company as a consultant if no other agreement governs nondisclosure and assignment of Inventions during such period. This Agreement is the final, complete and exclusive agreement of the parties with respect to the subject matter of this Agreement and supersedes and merges all prior discussions between us. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, will be effective unless in writing and signed by the party to be charged. Any subsequent change or changes in my duties, salary or compensation will not affect the validity or scope of this Agreement.

This Agreement will be effective as of **May 17, 2020**

**I have read this agreement carefully and understand its terms. I have completely filled out Schedule A to this Agreement.**

/s/Zach Thomann  
**(Signature)**

Zach Thomann  
Printed Name

**Accepted and Agreed By:**

**PRIORITY FULFILLMENT SERVICES, INC.**

By: /s/Mike Willoughby  
Mike Willoughby  
Chief Executive Officer



## Schedule A

### List of Excluded Inventions

1. Except as listed in Section 2 below, the following is a complete list of all inventions or improvements relevant to the subject matter of my employment by Company that have been made or conceived or first reduced to practice by me alone or jointly with others prior to my engagement by Company:

No inventions or improvements.

See below:

Additional sheets attached.

2. Due to a prior confidentiality agreement, I cannot complete the disclosure under Section 1 above with respect to inventions or improvements generally listed below, the intellectual property rights and duty of confidentiality with respect to which I owe to the following party(ies):

#### Invention or Improvement Party(ies) Relationship

1. ...

2. ...

3. ...

Additional sheets attached.

**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; and
  - 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 functions):
  - 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 7, 2020

By: /s/ Michael Willoughby  
Chief Executive Officer

**CERTIFICATIONS OF PRINCIPAL EXECUTIVE  
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; and
  - 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 functions):
  - 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 7, 2020

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

**CERTIFICATIONS PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of PFSweb, Inc. (the "Company"), does hereby certify that:

The Quarterly Report on Form 10-Q for the period ended June 30, 2020 (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 7, 2020

/s/ Michael Willoughby

Michael Willoughby  
Chief Executive Officer

August 7, 2020

/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.