

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 25, 2001

PFSweb, INC.

(Exact name of registrant as specified in its charter)

DELAWARE (State or other jurisdiction of incorporation)	000-28275 (Commission File Number)	75-2837058 (I.R.S. Employer Identification Number)
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500 NORTH CENTRAL EXPRESSWAY, PLANO, TX (Address of principal executive offices)	75074 (Zip Code)
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Registrant's telephone number, including area code: (972) 881-2900

NONE

(Former name or former address, if changed since last report)

Item 2. Acquisition or Disposition of Assets.

On May 25, 2001, PFSweb, Inc. (the "Company") completed the sale of certain assets to Daisytek International Corporation ("Daisytek") pursuant to an Asset Purchase Agreement (the "Purchase Agreement"). Under the Purchase Agreement, the Company transferred and sold to Daisytek certain distribution and fulfillment assets, including equipment and fixtures, that were previously used by the Company to provide outsourcing services to Daisytek. Daisytek also assumed certain related equipment leases and a warehouse lease and hired certain employees who were associated with the warehouse facility. The consideration payable under the Purchase Agreement of \$11.0 million (\$10 million of which was paid at closing on May 25, 2001 and \$1 million of which is payable over six months, subject to certain potential offsets) was based, in part, on the fair value of the assets and the mutual termination and release by the Company and Daisytek of certain transaction management services agreements previously entered into between the Company and Daisytek and a Daisytek subsidiary. Concurrently with the closing of the asset sale, the Company and Daisytek also entered into a six-month transition services agreement under which the Company will provide Daisytek with certain transitional and information technology services for which the Company will receive monthly service fees, subject to satisfaction of certain performance criteria.

The Company and Daisytek are parties to certain agreements relating to the spin-off of the Company from Daisytek, its former parent corporation, including a master separation agreement, an initial public offering and distribution agreement and a tax allocation and indemnification agreement. The Company and a subsidiary of Daisytek are also parties to certain agreements with IBM relating to the distribution of certain IBM products.

Item 7. Financial Statements and Exhibits

(a) Financial statements of businesses acquired

Not applicable.

(b) Pro forma financial information

The unaudited pro forma condensed consolidated financial information of the Company, included in Item 7 (b) of this Report, is based on the condensed consolidated financial statements for the year ended March 31, 2001. The accompanying unaudited pro forma condensed consolidated balance sheet gives effect to the disposition of certain assets of PFSweb as if the disposition had occurred on March 31, 2001. The accompanying unaudited pro forma condensed consolidated statement of operations gives effect to the disposition as if the disposition and the termination of certain transaction management services agreements had occurred on April 1, 2000.

The unaudited pro forma condensed consolidated financial statements are not necessarily indicative of the current or future financial position or results of operations of the Company and such statements should be read in the context of the Company's historical consolidated financial statements. The pro forma adjustments are based upon information currently available to the Company and contain estimates and assumptions. Management believes that the estimates and assumptions provide a reasonable basis for presenting the significant effects of the disposition and that the pro forma adjustments give appropriate effect to these estimates and assumptions and are properly applied in the pro forma condensed consolidated financial statements.

PFSWEB, INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
MARCH 31, 2001
(IN THOUSANDS, EXCEPT SHARE DATA)

	Historical -----	Pro Forma Adjustments -----	Pro Forma -----
CURRENT ASSETS:			
Cash and cash equivalents	\$ 22,266	\$ 9,500(1)	\$ 31,766
Accounts and other receivables, net of allowance for doubtful accounts of \$279 at March 31, 2001	12,266	--	12,266
Prepaid expenses and other current assets	3,848	--	3,848
	-----	-----	-----
Total current assets	38,380	9,500(1)	47,880
	-----	-----	-----
NET PROPERTY AND EQUIPMENT	20,253	(4,500)(1)	15,753
OTHER ASSETS	104	--	104
	-----	-----	-----
Total assets	\$ 58,737	\$ 5,000(1)	\$ 63,737
	=====	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Current portion of capital lease obligations	\$ 300	\$ --	\$ 300
Trade accounts payable	13,308	--	13,308
Accrued expenses	4,749	--	4,749
	-----	-----	-----
Total current liabilities	18,357	--	18,357
	-----	-----	-----
CAPITAL LEASE OBLIGATIONS, less current portion	2,139	--	2,139
OTHER LIABILITIES	1,240	--	1,240
COMMITMENTS AND CONTINGENCIES			
SHAREHOLDERS' EQUITY:			
Preferred stock, \$1.00 par value; 1,000,000 shares authorized; none issued and outstanding	--	--	--
Common stock, \$0.001 par value; 40,000,000 shares authorized; 17,907,378 shares issued and outstanding	18	--	18
Additional paid-in capital	50,884	--	50,884
Retained deficit	(13,592)	5,000(1)	(8,592)
Accumulated other comprehensive loss	(309)	--	(309)
	-----	-----	-----
Total shareholders' equity	37,001	5,000(1)	42,001
	-----	-----	-----
Total liabilities and shareholders' equity	\$ 58,737	\$ 5,000(1)	\$ 63,737
	=====	=====	=====

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

PFSWEB, INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATION
 FOR THE YEAR ENDED MARCH 31, 2001
 (IN THOUSANDS, EXCEPT PER SHARE DATA)

	Historical -----	Pro Forma Adjustments -----	Pro Forma -----
REVENUES:			
Service fee revenue	\$ 48,258	\$ (20,816)(2)	\$ 27,442
Other revenue	2,097	--	2,097
	-----	-----	-----
Total revenues	50,355	(20,816)	29,539
	-----	-----	-----
COSTS OF REVENUES:			
Cost of service fee revenue	34,261	(13,244)(2)	21,017
Cost of other revenue - terminated contract costs	2,470	--	2,470
	-----	-----	-----
Total costs of revenues	36,731	(13,244)	23,487
	-----	-----	-----
Gross profit	13,624	(7,572)(2)	6,052
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	25,446	(540)(2)	24,906
	-----	-----	-----
Loss from operations	(11,822)	(7,032)(2)	(18,854)
	-----	-----	-----
INTEREST INCOME, net	(1,091)	--	(1,091)
	-----	-----	-----
Loss before income taxes	(10,731)	(7,032)(2)	(17,763)
PROVISION (BENEFIT) FOR INCOME TAXES	25	(879)(3)	(854)
	-----	-----	-----
NET LOSS	\$ (10,756)	\$ (6,153)	\$ (16,909)
	=====	=====	=====
NET LOSS PER SHARE:			
Basic and diluted	\$ (0.60)	\$ (0.34)	\$ (0.95)
	=====	=====	=====
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:			
Basic and diluted	17,879	17,879	17,879
	=====	=====	=====

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

PFSWEB, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

On May 25, 2001, PFSweb completed the sale of one of its distribution facilities to Daisytek. Under the agreement, Daisytek purchased certain distribution and fulfillment assets that were previously used by PFSweb to provide outsourcing services to Daisytek. Daisytek also assumed certain related leases and hired employees who were associated with the facility and fulfillment to Daisytek's customers. In conjunction with the asset sale, PFSweb and Daisytek also terminated certain transaction management service agreements. However, PFSweb and Daisytek will continue to provide capabilities to each other under terms of their joint IBM Master Services Agreements through the terms of those agreements.

The accompanying unaudited pro forma condensed consolidated balance sheet gives effect to the disposition of certain assets of PFSweb as if the disposition had occurred on March 31, 2001. The accompanying unaudited pro forma condensed consolidated statement of operations gives effect to the disposition of assets as if the disposition and the termination of certain transaction management services agreements had occurred on April 1, 2000.

The pro forma data do not give effect to any fees to be earned by PFSweb for services to be provided to Daisytek under a six-month transition services agreement entered into on May 25, 2001 or a \$1 million deferred gain associated with the asset sale that is subject to certain potential offsets. The unaudited pro forma condensed consolidated statement of operations does not give effect to the gain on sale of assets described in (1) below.

(1) Reflects the sale of certain distribution and fulfillment assets used by PFSweb to provide outsourcing services to Daisytek. Cash proceeds of \$10 million (excluding the \$1 million deferred gain), net of approximately \$0.5 million of closing costs, were received for assets with an approximately \$4.5 million net book value with a resulting \$5.0 million gain. Due to the Company's net operating loss position, no tax liability has been reflected in the unaudited pro forma condensed consolidated balance sheet associated with this gain.

(2) Reflects the termination of certain transaction management services agreements with Daisytek under which PFSweb provided transaction management services for Daisytek's U.S. wholesale consumable computer supplies and office products businesses and Daisytek's worldwide information technology infrastructure. This pro forma adjustment reflects certain estimated direct operating costs associated with the performance of the transaction management service agreements and includes operating costs associated with the Memphis distribution center, including the salaries of management and personnel, warehousing and distribution costs, depreciation and other expenses. This adjustment does not consider certain infrastructure costs, such as operating costs associated with the information technology function, salaries of certain management and personnel, telephone and lease costs, and depreciation expense which supported this business but that will continue in the future or estimated net incremental interest income earned from the net proceeds of the asset sale. Because these ongoing costs were not considered, the pro forma adjustment to gross profit and loss from operations is not indicative of the overall margin earned under these transaction management services agreements.

(3) Reflects income taxes determined in accordance with the provisions of SFAS No. 109 "Accounting for Income Taxes." The pro forma adjustment to the provision (benefit) for taxes reflects income taxes as if these transactions and events had occurred as of the beginning of the period presented. For the period through the spin-off date of July 6, 2000, PFSweb continued to be included in Daisytek's consolidated U. S. tax return. As part of the tax sharing agreement with Daisytek, PFSweb would have been reimbursed for any income tax benefit derived from its inclusion in the consolidated tax return. Since PFSweb ceased to be included in Daisytek's consolidated tax return upon completion of the spin-off and PFSweb has not established a sufficient history of earnings, a

valuation allowance has been provided for the estimated U.S. income tax benefits derived from the U.S. operating losses after the spin-off.

(c) Exhibits

99.1 Press Release dated May 29, 2001.

SIGNATURE

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

PFSweb, Inc.

Dated: June 11, 2001

By: /s/ THOMAS J. MADDEN

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

INDEX TO EXHIBIT

EXHIBIT NUMBER -----	DESCRIPTION -----
99.1	Press Release dated May 29, 2001.

[PFS WEB LOGO]

FOR IMMEDIATE RELEASE:

Contact: PRESTON F. KIRK, APR
Michael A. Burns & Associates
(830) 693-4447
kirk@281.com

PFSWEB COMPLETES TRANSACTION WITH DAISYTEK INTERNATIONAL PFSweb
Improves Cash Position, Reduces Excess Capacity

PLANO, TEXAS (MAY 29, 2001)- PFSweb, Inc. (Nasdaq: PFSW) announced today the completion of the sale of one of PFSweb's distribution facilities to Daisytek International Corporation (Nasdaq: DZTK.) Negotiations on the transaction were originally disclosed April 2, 2001.

"We are pleased that this transaction is now complete," said Mark C. Layton, Senior Partner and CEO of PFSweb. "I want to reiterate the many positive effects it presents. It is a win-win for both parties, since it addresses the strategic and financial desires of both companies. This transaction enhances PFSweb's already strong cash position by adding in excess of \$10 million dollars to our current cash balance. In addition, it helps to lessen the degree of excess capacity that PFSweb is carrying in terms of distribution capability, and it reduces our overall cost levels significantly."

Under the agreement, Daisytek acquired certain distribution and fulfillment assets - approximately 400,000 square feet -- located in Memphis, Tennessee that were previously used by PFSweb to provide outsourcing services to Daisytek. Daisytek also assumed certain related leases and hired employees who were associated with the facility and fulfillment for Daisytek's customers. PFSweb and Daisytek will continue to provide capabilities to each other under terms of their joint IBM Master Services agreements.

PFSweb will continue to offer its world-class business infrastructure solutions, including distribution and fulfillment services, from its remaining 800,000 square feet of distribution facilities in Memphis as well as from its operations in Toronto, Canada and Liege, Belgium. The transaction is not expected to limit PFSweb's future capabilities in terms of new client solutions.

"The proceeds from this transaction will increase our cash position to more than \$25 million, or about \$1.50 per share. Although our service fee revenues will be reduced, we have reached an agreement with Daisytek under which PFSweb will continue to provide information technology infrastructure under a new separate fee agreement for six months while Daisytek works to build its own information technology solution. The net change in fees from these transactions will result in revised financial forecasts, which will be communicated later this week," Layton added.

ABOUT PFSWEB, INC.

When the world's brand names need proven, fast, and secure business infrastructure and technology to enable traditional and e-commerce strategies, they choose PFSweb for comprehensive outsourcing solutions. The PFSweb team of experts designs diverse solutions for clients around a flexible core business infrastructure. PFSweb provides solutions that include: professional consulting services, order management, web-enabled customer contact centers, customer lifecycle management, international distribution services, billing and collection services, and ERP information interfacing utilizing the Entente SuiteSM.

The matters discussed in this news release (except for historical information) and, in particular, information regarding future revenue, earnings and business plans and goals, consist of forward-looking information under the Private Securities Litigation Reform Act of 1995 and are subject to and involve risks and uncertainties, which could cause actual results to differ materially from the forward-looking information. These forward-looking statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. These risks and uncertainties include, but are not limited to, our reliance on the projections of and fees generated by the transaction volume or product sales of our clients; the impact of strategic alliances; trends in the market for our services; trends in e-commerce; whether we can continue and manage growth; changes in the trend toward outsourcing; increased competition; effects of changes in profit margins; the unknown effects of possible system failures and rapid changes in technology; trends in government regulation; risks of operating overseas and foreign currency risks; and our relationship with and separation from Daisytek, our former parent corporation. A description of these factors, as well as other factors, which could affect the Company's business, is set forth in the Company's Prospectus dated December 2, 1999 and Form 10-K for the fiscal year ended March 31, 2000 and Form 10-Q for the quarter ended December 31, 2000.

This news release and more information about PFSweb are available at www.pfsweb.com. PFSweb is a registered trademark. Entente Suite is a service mark of PFSweb. All rights reserved.