PFSWEB INC
Form PRE 14A
May 16, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

x Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

¨ Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material under §240.14a-12

PFSweb, Inc.

(Name of registrant as specified in its charter)

(Name of person(s) filing proxy statement, if other than the registrant)

Payment of Filing Fee (Check the appropriate box):

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(1) Title of each class of securities to which transaction applies:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

PFSweb, Inc.

505 Millennium Drive

Allen, Texas 75013

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of PFSweb, Inc. (the Company), which will be held at Hilton Garden Inn, Allen, Texas, on Friday, June 27, 2014 at 10:00 a.m. (local time).

At the Annual Meeting, stockholders will be asked to (i) elect four directors, (ii) approve an amendment to the Company s 2005 Employee Stock and Incentive Plan, (iii) approve, on a non-binding, advisory basis, the compensation of the Company s named executive officers, and (iv) ratify the appointment of Grant Thornton LLP as the Company s independent auditors. Information about these matters is contained in the attached Proxy Statement.

It is important that your shares be represented at the Annual Meeting, regardless of the number you hold. To ensure your representation at the Annual Meeting, you are urged to complete, date, sign and return the enclosed proxy as promptly as possible. A postage-prepaid envelope is enclosed for that purpose. In addition, to ensure your representation at the Annual Meeting, you may vote your shares by (a) calling the toll free telephone number indicated on the proxy card or (b) accessing the special web site indicated on the proxy card, each as more fully explained in the telephone and internet voting instructions. If you attend the Annual Meeting, you may vote in person even if you have previously returned a proxy card. Please note that if you hold your shares of our common stock through your broker, you will not be able to vote in person at the meeting.

I sincerely hope you will be able to attend the Annual Meeting, and I look forward to seeing you on June 27, 2014.

Sincerely,

Michael Willoughby

Chief Executive Officer

May , 2014

PFSweb, Inc.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

June 27, 2014

The Annual Meeting of Stockholders of PFSweb, Inc. (the Company) will be held on Friday, June 27, 2014 at 10:00 a.m. at Hilton Garden Inn, Allen, Texas, for the following purposes:

1. To elect four directors;

2. To approve an amendment to our 2005 Employee Stock and Incentive Plan to increase the number of shares of Common Stock issuable thereunder by 800,000 shares;

3. To approve, on a non-binding, advisory basis, the compensation of the Company s named executive officers;

4. To ratify the appointment of Grant Thornton LLP as the Company s independent auditors for the fiscal year ending December 31, 2014; and

5. To transact such other business as may properly come before the meeting or any adjournment thereof.

The Board of Directors has fixed the close of business on May 9, 2014 as the record date for the determination of stockholders entitled to notice of, and to vote at, the Annual Meeting. Each stockholder, even though he or she may presently intend to attend the Annual Meeting, is requested to execute and date the enclosed proxy card and return it without delay in the enclosed postage-paid envelope. Any stockholder present at the Annual Meeting may withdraw his or her proxy card and vote in person on each matter properly brought before the Annual Meeting. Stockholders holding shares in street name must obtain a legal proxy from their broker, bank or other holder of record and present it to the inspectors of election with their ballot to be able to vote at the Annual Meeting.

Please sign, date and mail the enclosed proxy in the enclosed envelope promptly, so that your shares of stock may be represented at the meeting.

By Order of the Board of Directors

Cindy Almond
Secretary
Allen, Texas

May , 2014

PFSweb, Inc.

505 Millennium Drive

Allen, Texas 75013

(972) 881-2900

PROXY STATEMENT

We are furnishing this Proxy Statement in connection with the solicitation of proxies on behalf of the Board of Directors of PFSweb, Inc. (PFSweb, the Company, we, us, or our) to be voted at the Annual Meeting of Stockho to be held at Hilton Garden Inn, Allen, Texas, on Friday, June 27, 2014, at 10:00 a.m. and at any and all adjournments thereof. This Proxy Statement, the Notice of Annual Meeting, the accompanying proxy and the Annual Report on Form 10-K are first being mailed to stockholders on or about May 30, 2014.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD JUNE 27, 2014:

The enclosed proxy statement and 2013 Annual Report on Form 10-K are available at

www.pfsweb.com/investor-relations/proxy-materials.php.

VOTING PROCEDURES

Your vote is very important. You can vote the shares of PFSweb common stock that are held directly in your name and not through your brokerage account at the Annual Meeting if you are present in person or represented by proxy. You may revoke your proxy at any time before the Annual Meeting by delivering written notice to our Secretary, by submitting a proxy bearing a later date or by appearing in person and casting a ballot at the Annual Meeting. If we receive a properly executed proxy before voting at the Annual Meeting is closed, the persons named as the proxy on the proxy card will vote the proxy in accordance with the directions provided on that card. If you do not indicate how your shares are to be voted, your shares will be voted as recommended by the Board. If you wish to give a proxy to someone other than the persons named on the proxy card, you should cross out the names contained on the proxy card and insert the name(s) of the person(s) who hold(s) your proxy. Please note that the person(s) to whom you give your proxy **must** be present in person at the Annual Meeting to vote your shares.

Who can vote?

Stockholders of record as of the close of business on May 9, 2014, are entitled to vote at the Annual Meeting. On that date, 16,764,589 shares of our common stock were issued, and excluding 33,467 shares of common stock in treasury, 16,731,122 shares of our common stock were outstanding and eligible to vote. Each share is entitled to one vote on each matter presented at the Annual Meeting. The closing sale price of our common stock as reported on the NASDAQ Capital Market on the record date was $7.63 per share.

How do I vote?

You can vote in person at the Annual Meeting. Alternatively, a stockholder who holds shares of our common stock of record and not in street name may vote shares by giving a proxy via mail, telephone or the Internet. To vote your proxy by mail, indicate your voting choices, sign and date your proxy and return it in the postage-paid envelope provided. You may vote by telephone or the Internet by following the instructions on your proxy. Your telephone or

Internet delivery authorizes the named proxies to vote your shares in the same manner as if you marked, signed and returned your proxy via the mail.

If your shares are held in a stock brokerage account or by a bank or other holder of record, you are considered the beneficial owner of shares held in street name. The Proxy Statement, the Notice of Annual Meeting, the accompanying proxy and the Annual Report on Form 10-K have been forwarded to you by your broker, bank or other holder of record who is considered, with respect to those shares, the stockholder of record. As the beneficial owner, you have the right to direct your broker, bank or other holder of record on how to vote your shares by using the voting instruction card included in the mailing or by following their instructions for voting by telephone or on the Internet.

All stockholders may vote in person at the Annual Meeting. You may also be represented by another person at the Annual Meeting by executing a proper proxy designating that person. If you are a beneficial owner of shares, you must obtain a legal proxy from your broker, bank or other holder of record and present it to the inspectors of election with your ballot to be able to vote at the Annual Meeting.

What shares are represented by the proxy?

The proxy that we are delivering represents all the shares registered in your name with our transfer agent, Computershare Shareowner Services LLC. The proxy that is delivered by your broker, bank or other nominee represents the shares held by you in an account at that institution.

What are broker non-votes and why is it important that I submit my voting instructions for shares I hold as a beneficial stockholder?

If a broker or other financial institution holds your shares in its name and you do not provide voting instructions to it, New York Stock Exchange (NYSE) rules allow that firm to vote your shares only on routine matters. Proposal No. 4, the ratification of Grant Thornton LLP as the Company s independent auditors, is the only routine matter for consideration at the Annual Meeting. For all matters other than Proposal No. 4, you must submit voting instructions to the firm that holds your shares if you want your vote to count on such matters. When a firm votes a client s shares on some but not all of the proposals, the missing votes are referred to as broker non-votes. Broker non-votes are counted for purposes of determining whether or not a quorum exists for the transaction of business.

How are votes counted?

If you return a signed and dated proxy but do not indicate how the shares are to be voted, those shares will be voted as recommended by the Board. A valid proxy also authorizes the individuals named as proxies to vote your shares in their discretion on any other matters which, although not described in the Proxy Statement, are properly presented for action at our Annual Meeting. If you indicate on your proxy that you wish to abstain from voting on an item, your shares will not be voted on that item, but will be counted to determine whether there is a quorum present. There is no right to cumulative voting.

How is a quorum established and what vote is required to approve matters presented at the Annual Meeting?

The presence, in person or by proxy, of at least a majority of the shares outstanding on the record date will constitute a quorum. Both abstentions and broker non-votes are counted for the purpose of determining the presence of a quorum. If a quorum is not present, the Annual Meeting will be rescheduled for a later date.

The following sets forth the votes required to approve the matters presented at the Annual Meeting:

Item No. 1 (Election of Directors) Each director nominee must receive the affirmative vote of a majority of the votes cast with respect to such director, which means that the number of shares voted FOR that director s election must exceed the number of shares voted AGAINST that director s election. Shareholders will not be allowed to cumulate their votes in the election of directors. Abstentions and broker non-votes will not be considered as votes cast on this proposal and therefore will not affect the outcome of this proposal.

Item No. 2 (Amendment to 2005 Employee Stock and Incentive Plan) The proposal to amend the Company s 2005 Employee Stock and Incentive Plan requires the affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting. As a result, abstentions are treated as votes against the proposal, while broker non-votes have no effect.

Item No. 3 (Advisory Vote on Executive Compensation) The non-binding proposal to approve the compensation of the Company s named executive officers requires the affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting. As a result, abstentions are treated as votes against the proposal, while broker non-votes have no effect.

2

Item No. 4 (Ratification of Auditors) The proposal to ratify the selection of Grant Thornton LLP as our independent auditors requires the requires the affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting. As a result, abstentions are treated as votes against the proposal, while broker non-votes have no effect.

What is the recommendation of the Board of Directors?

The Board of Directors recommends that stockholders vote (i) FOR the nominees of the Board of Directors (Item No. 1) (ii) FOR the amendment to our 2005 Employee Stock and Incentive Plan (Item No. 2), (iii) FOR the non-binding advisory approval of the compensation to our named executive officers (Item No. 3), and (iv) FOR the ratification of the appointment of Grant Thornton LLP as the Company s independent auditors for the fiscal year ending December 31, 2014 (Item No. 4). If you do not indicate how your shares are to be voted, your shares will be voted as recommended by the Board.

Who will tabulate the vote?

Our transfer agent, Computershare Shareowner Services LLC, will tally the vote, which will be certified by an inspector of election who is a PFSweb employee.

Who will bear the expenses of our solicitation? How will we solicit votes?

We will bear our own cost of solicitation of proxies. In addition to the use of the mail, proxies may be solicited by our directors and officers by personal interview, telephone, facsimile or e-mail. Our directors and officers will not receive additional compensation for this solicitation but may be reimbursed for out-of-pocket expenses incurred in connection with these activities. Arrangements may also be made with brokerage firms and other custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of shares of our common stock held of record by these people or institutions, in which case we will reimburse these brokerage firms, custodians, nominees and fiduciaries for reasonable out-of-pocket expenses incurred by them in connection with these forwarding activities. We may retain Computershare Shareowner Services LLC to assist in the solicitation of proxies for an estimated fee of $15,000 plus reimbursement of expenses.

Are there appraisal rights?

Stockholders have no dissenters rights of appraisal with respect to any of the matters to be voted upon at the Annual Meeting.

ITEM 1

NOMINEES FOR THE BOARD OF DIRECTORS

Prior to the 2013 Annual Meeting, the Board was divided into three classes, with each class serving consecutive three year terms. At the 2013 Annual Meeting, the Company s shareholders approved the elimination of the classified Board structure over a three year phase-in period so that the term of the current Class I directors expires at the 2015 Annual Meeting and the term of the Class II and Class III directors expires at the 2014 Annual Meeting. Beginning with the 2015 Annual Meeting, each member of the Board will serve one year terms. The Board presently consists of seven members, two Class I directors (David I. Beatson and James F. Reilly), three Class II directors (Dr. Neil W. Jacobs, Benjamin Rosenzweig and Monica Luechtefeld) and two Class III directors (Michael C. Willoughby and Shinichi Nagakura). The nominees to serve as Class II directors who have been nominated and recommended by the Board of Directors are Benjamin Rosenzweig and Monica Luechtefeld, and the nominees to serve as Class III directors who have been nominated and recommended by the Board of Directors are Michael C. Willoughby and Shinichi Nagakura. If elected, such persons are expected to serve until the Company s 2015 annual meeting and until their successors are elected and qualified. The shares represented by proxies in the accompanying form will be voted for the election of the nominees unless authority to so vote is withheld. The Board of Directors has no reason to believe that such nominees will not serve if elected, but if any one or more of them should become unavailable to serve as a director, and if the Board designates a substitute nominee or nominees, the person named as proxy will vote for the substitute nominee(s) designated by the Board.

To be elected, a director nominee must receive the affirmative vote of a majority of the votes cast with respect to such director, which means that the number of shares voted for that director s election must exceed the number of shares voted against that director s election. This majority vote standard is in effect because this is an uncontested election of directors (i.e., the number of nominees for director did not exceed the number of directors to be elected as of the record date of the annual meeting). For any contested election, the directors would be elected by a plurality of the votes cast by the shares entitled to vote on the election of directors.

If a director nominee who is serving as a director is not elected at the annual meeting, under our by-laws, as amended, such director must tender his or her resignation to the Board, subject to acceptance by the Board. The Nominating Committee would then make a recommendation to the Board on whether to accept or reject the resignation, or whether other action should be taken. The Board, taking into account the recommendation of the Nominating Committee, would determine the appropriate responsive action with respect to the tendered resignation within 90 days and publicly disclose its decision. The director who tenders his or her resignation may not participate in the Board s decision.

The following information, which has been provided by the individuals named, sets forth for each Class I director and each nominee to serve as a member of the Board of Directors, such person s name, age, principal occupation or employment during at least the past five years, the name of the corporation or other organization, if any, in which such occupation or employment is carried on and the period during which such person has served as a director of the Company. The following information also identifies and describes the key experience, qualifications and skills our directors bring to the Board that are important in light of our business and structure. The directors experiences, qualifications and skills that the Board considered in their nomination are included in their individual biographies.

Class I Directors

David I. Beatson, age 66, has served as a non-employee Director since November 2000. Mr. Beatson is Chief Executive Officer of Ascent Advisors, LLC a consulting firm he founded in 2000. The firm provides strategic direction to firms in the logistics and supply chain industry as well as merger and acquisition advice for private equity firms investing in the industry. Mr. Beatson is a recognized leader in the field of transportation, logistics and supply chain management having served as Chairman and CEO of several leading companies in the industry. From 2007 until 2012 he was CEO of Globalware Solutions (GWS), a global supply chain management solution provider with facilities in North America, Asia and Europe. From July 2003 to April 2005, Mr. Beatson served as Regional CEO North America and Member of the Executive Board of Panalpina, Inc., a leading provider of international air and sea freight forwarding, customs brokerage and third party logistics services. From July 1998 to June 2000, Mr. Beatson served as Chairman, President and CEO of Circle International Group, Inc., a global transportation and logistics company. From 1991 to June 1994, Mr. Beatson served as vice-president of sales and marketing and then from June 1994 until July 1998 as president and CEO of Emery Worldwide, a global transportation and logistics company. Prior to 1991, Mr. Beatson held several management positions in the logistics and transportation industry, including American Airlines and CF Airfreight. Mr. Beatson also currently serves as an industry representative member of the Executive Advisory Committee to the National Industrial Transportation League, to which the Air Freight Association elected him in 1995. He also serves on the board of Descartes Systems (NASDAQ: DSGX) and two privately held companies. The Board of Directors believes the characteristics that qualify Mr. Beatson for the Board include his long-term experience in the transportation, logistics and supply chain management industry, leadership experience and judgment and knowledge of the Company s business.

James F. Reilly, age 55, has served as a non-employee Director of the Company since its inception in 1999, as lead director from June 2010 to March 2013 and as Chairman since March 2013. Mr. Reilly has been an investment banker since 1983 and is currently the Managing Partner of Stonepine Advisors, LLC, an investment banking firm focused on high growth technology companies. Until June 2010, he was a Senior Advisor to Needham & Company, LLC, a nationally recognized investment banking and asset management firm focused primarily on serving emerging growth industries and their investors. He served in various capacities with Needham & Company, LLC, since January 2004 including Head of West Coast Investment Banking. Previously he was a Managing Director of J.P. Morgan Securities, Inc., an investment banking firm, and a Managing Director in the Technology Group of Warburg Dillon Read, the global investment banking division of UBS AG. From 1983 to 1999, Mr. Reilly was associated with Warburg Dillon Read or one of its predecessor companies and specialized in corporate finance advisory work for a broad range of technology companies. Mr. Reilly is also a director of Equalis, LLC, a privately held provider of commercial support services for open source math. The Board of Directors believes the characteristics that qualify Mr. Reilly for the Board and serving as Chairman include his financial and investment background, leadership experience and judgment and knowledge of the Company s business.

Class II Directors

Benjamin Rosenzweig, age 29, was appointed as a non-employee Director of the Company in May 2013 in accordance with the provisions of a settlement agreement (the Settlement Agreement) between the Company and Privet Fund, L.P. and its affiliates (Privet). Mr. Rosenzweig is currently a partner at Privet Fund Management LLC. Prior to joining Privet in September 2008, Mr. Rosenzweig served as an investment banking analyst in the corporate finance group of Alvarez and Marsal from June 2007 until May 2008, where he completed multiple distressed mergers and acquisitions, restructurings, capital formation transactions and similar financial advisory engagements across several industries. Mr. Rosenzweig is currently a Director of Startek, Inc. (NYSE:SRT), where he serves as chair of the Audit Committee and on the Compensation Committee and Nominating & Governance Committee, and RELM Wireless Corp. (NYSE MKT: RWC), where he serves on the Compensation Committee. Mr. Rosenzweig graduated magna cum laude from Emory University with a Bachelor of Business Administration degree in Finance and a second major in Economics.

Monica Luechtefeld, age 65, has served as a non-employee Director of the Company since April 2014.
Ms. Luechtefeld, a recognized leader in eCommerce & Internet Retailing, founded her own consultancy firm in 2012 to provide advisory services in eCommerce strategy as well as online marketing and emerging digital media. From 1993 to 2012, Ms. Luechtefeld held various executive roles within Office Depot, Inc., a Fortune 200 company. She was Executive Vice President eCommerce and Direct Marketing and most recently served as Executive Vice President of European eCommerce. Her previous leadership positions included Executive Vice President Supply Chain and Information Technology, as well as marketing, sales and business development roles. Ms. Luechtefeld received her B.S. degree from Mount St. Mary s College and her M.B.A. from the University of Notre Dame. She also received an honorary doctorate degree from Mount St. Mary s College. The Board of Directors believes the characteristics that qualify Ms. Luechtefeld for the Board include her business and leadership experience and judgment and her broad eCommerce industry knowledge.

Class III Directors

Michael C. Willoughby, age 50, has served as Chief Executive Officer and a Director since March 2013, as President of PFSweb, Inc. since September 2010 and as Chief Information Officer of the Company since October 2001. Mr. Willoughby has previously served as President of Priority Fulfillment Services, a subsidiary of the Company, from February 2006 to September 2010. From 1999 to 2001, Mr. Willoughby served the Company as

Vice President of eCommerce. Prior to joining the Company, Mr. Willoughby served as President and Chief Executive Officer of Design Technologies, Inc., an ecommerce software development firm from 1994 to 1999. Prior to founding Design Technologies, Inc., Mr. Willoughby served as President and Chief Executive Officer of Integration Services, Inc., an IT consulting services company. The Board of Directors believes the characteristics that qualify Mr. Willoughby for the Board include his long-term experience in the ecommerce industry, expertise in information technology, leadership experience and judgment and extensive knowledge of the Company s business.

Shinichi Nagakura, age 50, was appointed as a non-employee Director of the Company in May 2013 in accordance with the provisions of a Securities Purchase Agreement (the Purchase Agreement) between the Company and transcosmos inc. (TCI), a leading Japanese business process outsourcing company. Mr. Nagakura has been an officer of TCI and/or its affiliates for the last 15 years, including serving as a Director of TCI since 2006, and has experience in investments, business development and sales/marketing in the US and Japan. Prior to TCI, Mr. Nagakura served for ten years with Recruit Co. Ltd., a leading Japanese publishing and Internet media and marketing services company. Mr. Nagakura also serves on the Board of Directors of Merlin Information Systems, Ltd., an international provider of high quality, personalized IT and customer support solutions, and Become, Inc., a leader in electronic commerce and online comparison shopping. He graduated from Sophia University, Tokyo, Japan with a B.A. in International Studies in 1986.

Settlement Agreement

Mr. Rosenzweig has been appointed to the Board of Directors pursuant to the terms of the Settlement Agreement as a representative of Privet. A copy of the Settlement Agreement was filed as an exhibit to the Company s Form 8-K filed with the Securities and Exchange Commission on May 20, 2013.

Purchase Agreement

Mr. Nagakura has been appointed to the Board of Directors pursuant to the terms of the Purchase Agreement as a representative of TCI. A copy of the Purchase Agreement was filed as an exhibit to the Company s Form 8-K filed with the Securities and Exchange Commission on May 15, 2013.

Executive Officers and Officers

In addition to the individuals named above, the following are the names, ages and positions of the other executive officers and officers of the Company:

Executive Officers

Thomas J. Madden, age 52, has served as Executive Vice President, Chief Financial and Accounting Officer of the Company since its inception in 1999. Mr. Madden previously served as Chief Financial Officer of Daisytek International Corporation (Daisytek), former parent corporation of the Company, from 1997 to 2000, as Vice President Finance, Treasurer and as Chief Accounting Officer of Daisytek from 1994 to 2000 and as Controller of Daisytek from 1992 to 1994. From 1983 to 1992, Mr. Madden served in various capacities with Arthur Andersen & Co., S.C., including financial consulting and audit manager.

Cynthia D. Almond, age 46, has served as Executive Vice President Client Services of the Company since March 2011 and as Secretary of the Company since 2007 and is responsible for sales and marketing, implementation and program management activities. From 2001 to 2011, Ms. Almond served as Vice President Client Services. From 1999 to 2001, Ms. Almond served as Director of Account Management. From 1991 to 1999, Ms. Almond served in various marketing, product management and sales capacities for Daisytek.

David B. Reese, age 51, has served as Executive Vice President of Global Operations since September 2013 and is responsible for the call center, distribution, IT operations as well as solutions design. Mr. Reese served as Senior Vice President of Solutions and International Development for the Company from March 2011 to September 2013, as Vice President of Solutions from November 2004 to February 2011, as Director of Implementation Services from 2000 to 2004, and as Director of European Operations from January 1999 to May 2000. From 1995 to 1998, Mr. Reese served in various capacities for Daisytek. Previously Mr. Reese was Vice President of Operations for a 3PL company, and also served as General Manager for several intermodal and distribution facilities.

Officers

Scott R. Talley, age 49, has served as Vice President International Distribution for the Company since its inception in 1999. Mr. Talley previously served in various capacities for Daisytek since 1991, most recently as Vice President Distribution. Mr. Talley received a Bachelor of Business Administration degree from the University of North Texas and a Master s of Business Administration degree from New York Institute of Technology.

Gibson T. Dawson, age 48, has served as Vice President Corporate Controller of the Company since May 2007. From inception to 2007, Mr. Dawson served as Corporate Controller for PFSweb. Prior to joining the Company, Mr. Dawson was controller for a recorded-music distribution company and prior to that spent more than 8 years with KPMG LLP in the assurance services practice.

Meetings and Committees of the Board

The Board of Directors met a total of twenty-two times during the calendar year ended December 31, 2013. The Board of Directors has determined that, other than Mr. Willoughby, each director is independent within the meaning of applicable Securities and Exchange Commission (SEC) rules and NASD listing standards. The independent directors are able to and generally meet in executive session without the Company s management at each regularly scheduled quarterly Board meeting.

The Board of Directors does not have a policy regarding director attendance at the annual meeting of stockholders, and no current director attended the 2013 annual meeting.

The Board of Directors currently has standing Nominating, Audit and Compensation Committees.

The Nominating Committee is responsible for identifying and evaluating individuals qualified to become Board members and recommending to the Board candidates to stand for election or re-election as directors. The Committee will consider candidates at the recommendation of existing Board members, Company management, search firms or other consultants, or stockholders. Stockholders wishing to recommend director candidates to the Board may do so by writing to the Committee in care of the Corporate Secretary at the Company s executive office, 505 Millennium Drive, Allen, TX 75013. At a minimum, director candidates should have demonstrated achievement in their particular field of endeavor, significant business or other management experience that would be of value to the Company, integrity and high ethical standards, good communication and leadership skills, and the ability and willingness to commit adequate time and attention to carry out their Board duties effectively. The Committee will evaluate candidates through background and reference checks, interviews and an analysis of each candidate s qualifications and attributes in light of the current composition of the Board and the Company s leadership needs at the time. The Nominating Committee does not have a formal policy with regard to the consideration of diversity in identifying director nominees, but the Committee strives to nominate directors with a variety of complementary skills so that, as a group, the Board will possess the appropriate talent, skills, experience and expertise to oversee the Company s business. During 2013, the Committee retained an outside consultant to assist the Committee in identifying and evaluating additional candidates as possible nominees to the Board of Directors. The current members of the Nominating Committee are Mr. Reilly, Dr. Jacobs and Mr. Rosenzweig, and following the Annual Meeting (pending the appointment of an additional member), the members of the Nominating Committee will be Mr. Reilly and Mr. Rosenzweig, each of whom has been determined to be independent as discussed above. The Nominating Committee has adopted a charter which is available on the Company s website at www.pfsweb.com (the contents of the website are not incorporated in this Proxy Statement by reference). The Nominating Committee met one time during the calendar year ended December 31, 2013.

The Audit Committee is established for the purpose of overseeing the Company s accounting and financial reporting processes and audits of the Company s financial statements. The Audit Committee is established to assist the Board in fulfilling its oversight responsibilities by reviewing and reporting to the Board on the integrity of the financial reports and other financial information provided by the Company to its stockholders. The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the work of any independent auditor employed by the Company (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work or performing other audit, review or attest services for the Company. The Company s auditors report directly to the Audit Committee.

The Audit Committee is currently comprised of three directors, Mr. Reilly, Mr. Beatson and Dr. Jacobs, and Mr. Beatson serves as Chairman. Following the Annual Meeting (pending the appointment of an additional member), the members of the Audit Committee will be Mr. Reilly and Mr. Beatson, each of whom has been determined by the Board of Directors to be independent as discussed above, and is able to read and understand fundamental financial statements, including the Company s balance sheet, income statement and cash flow statement. The Board of Directors has determined that, based on his relevant experience as described above, Mr. Reilly is qualified as the audit committee financial expert within the meaning of applicable SEC regulations and has the requisite financial sophistication required by the NASD listing standards. The Audit Committee met a total of seven times during calendar year 2013. The Committee has adopted a written amended and restated audit committee charter setting out the audit-related functions of the Audit Committee, and the Committee reviews and reassesses the adequacy of the charter on an annual basis. A copy of the charter is available on the Company s website at www.pfsweb.com.

The Compensation Committee approves, or in some cases recommends, to the Board, remuneration and compensation arrangements involving the Company s executive officers and other key employees. The current members of the Compensation Committee are Messrs. Beatson, Nagakura and Reilly, who shall continue to so serve following the Annual Meeting, each of whom has been determined by the Board of Directors to be independent as discussed above. The Compensation Committee also serves as the Committee which administers the Company s 2005 Employee Stock and Incentive Plan. The Compensation Committee has adopted a charter which is available on the Company s website at www.pfsweb.com. The Compensation Committee met two times during the calendar year ended December 31, 2013.

In 2012 the Board formed a Special Committee, consisting of all outside directors, to meet from time to time to discuss comprehensive reviews of the Company s business, including evaluating strategic direction and alternatives, possible and alternative management changes and organizational realignment, strategic initiatives and operating improvements. The Special Committee met twelve times during the calendar year ended December 31, 2013 and was dissolved in May 2013.

During calendar year 2013, no current director or director nominee attended fewer than 75% of the aggregate of all meetings of the Board and the committees, if any, upon which such director served and which were held during the period of time that such person served on the Board or such committee.

Communicating with the Board of Directors

Stockholders wishing to communicate with one or more Directors or the Board as a whole may do so in a writing addressed to the Director(s) or the Board and sent to the Corporate Secretary, PFSweb, Inc., 505 Millennium Drive, Allen, TX 75013.

Code of Ethics

The Board has approved a code of business conduct and ethics in accordance with rules of the SEC and NASD listing standards applicable to all directors, officers and employees, including the chief executive officer, senior financial officers and the principal accounting officer. The code is intended to provide guidance to directors and management to assure compliance with law and promote ethical behavior. Copies of the Company s code of business conduct and ethics may be found on the Company s website at www.pfsweb.com.

Board Leadership Structure

Currently, the Company has separated the roles of Chief Executive Officer and Chairman in order to permit the Chief Executive Officer to focus his efforts in improving the Company s operations. In addition, to assure effective independent oversight of the Company management, all of the other Board members are currently independent directors who may meet in executive session without management present. Similarly, each committee of the Board is comprised entirely of independent directors. The Company s Bylaws further permit the appointment of a lead independent director by the other independent directors. The lead director is authorized to prepare the agendas for executive sessions of the independent directors and chair those sessions, facilitate communications between the Chairman and other members of the Board, and act as a liaison to shareholders who request direct communication with the Board. Prior to his being appointed as Chairman, Mr. Reilly served as the lead director.

Risk Management

Risk is inherent with every business, and how well a business manages risk can ultimately determine its success. We face a number of risks more fully described in our annual and quarterly filings with the SEC, including risks relating to dependence on clients and suppliers, competition, product development, credit and liquidity, and other business risks. Management is responsible for the day-to-day management of risks we face, while our Board of Directors, as a whole and through its committees, has responsibility for the oversight of risk management. In its risk oversight role, our Board of Directors has the responsibility to satisfy itself that the risk management processes designed and implemented by management are adequate and functioning as designed. The Board of Directors, together with its committees, provides company-wide oversight of our management and handling of risk. At meetings of the Board of Directors and its committees, directors receive regular updates from management regarding risk management. Outside of formal meetings, the Board, its committees and individual Board members have regular access to the executive officers of the Company and are often consulted by management in respect of Company operations.

Report of the Audit Committee for the Fiscal Year Ended December 31, 2013

The following is the report of the Audit Committee with respect to the Company s audited financial statements for the fiscal year ended December 31, 2013. The information contained in this report shall not be deemed to be soliciting material or to be filed with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the 1934 Securities Exchange Act, as amended, except to the extent that the Company specifically incorporates such information by reference in such filing.

The Audit Committee of the Company s Board of Directors is comprised of three independent directors. During fiscal year 2013, the members of the Audit Committee were Messrs. Reilly, Beatson and Jacobs.

Management is responsible for the Company s internal controls and the financial reporting process. The independent accountants (auditors) are responsible for performing an independent audit of the Company s consolidated financial statements in accordance with generally accepted auditing standards and issuing a report thereon. The Audit Committee s responsibility is to monitor these processes. The Audit Committee does not itself prepare financial statements or perform audits, and its members are not auditors or certifiers of the Company s financial statements. The Audit Committee approved the appointment of the Company s auditors, Grant Thornton LLP, for the fiscal year ended December 31, 2013.

In fulfilling its oversight responsibility of appointing and reviewing the services performed by the Company s independent auditors, the Audit Committee carefully reviews the policies and procedures for the engagement of the independent auditor, including the scope of the audit, audit fees, auditor independence matters and the extent to which the independent auditor may be retained to perform non-audit related services. The Audit Committee considered the independent auditors provision of non-audit services in 2013 and determined that the provision of those services is compatible with and does not impair the auditors independence.

The Audit Committee discussed with the Company s auditors the scope and plans for the independent audit. Management represented to the Audit Committee that the Company s consolidated financial statements were prepared in accordance with generally accepted accounting principles. The Audit Committee has reviewed and discussed with management and the auditors the Company s audited financial statements, including the auditor s judgments about the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements. The Audit Committee also discussed with the auditors the matters required by Statement on Auditing Standard No. 114 The Auditor s Communication With Those Charged With Governance , as amended.

9

The Audit Committee has received the written disclosures and the letter from the Company s independent accountants required by PCAOB Ethics and Independence Rule 3526 (PCAOB Rule 3526), Communications with Audit Committees Concerning Independence and the Audit Committee discussed with the auditors their independence from the Company and its management.

Based on the Audit Committee s discussion with management and the auditors and the Audit Committee s review of the representations of management and the report of the auditors to the Audit Committee, the Audit Committee recommended to the Board that the audited consolidated financial statements be included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2013, which was filed with the Securities and Exchange Commission.

James F. Reilly

David I. Beatson

Dr. Neil W. Jacobs

EXECUTIVE COMPENSATION

Overview of Compensation Program

The Compensation Committee of the Board is responsible for establishing and implementing our compensation philosophy. The Compensation Committee believes that the total compensation paid to our executive officers should be and is fair, reasonable and competitive. In this section of the Proxy Statement, the individuals who served during our fiscal year ended December 31, 2013 as our Chief Executive Officer and the other executive officers included in the Summary Compensation Table on page 15, are referred to as the named executive officers.

Compensation Philosophy and Objectives

The Compensation Committee believes that executive officer compensation be structured to provide competitive base salaries and benefits to attract and retain superior employees and to provide short- and long-term incentive compensation to incentivize executive officers to attain, and to reward executive officers for attaining, established financial goals that are consistent with increasing stockholder value. The Compensation Committee may use cash bonuses and retention based equity awards as key components in the short- and long-term incentive compensation arrangements for executive officers, including the named executive officers.

The Compensation Committee s goal is to maintain compensation programs that are competitive within our industry and geographic market. Each year, the Compensation Committee reviews the executive compensation program with respect to the external competitiveness of the program, the linkage between executive compensation and the creation of stockholder value, and determines what changes, if any, are appropriate.

In determining the form and amount of compensation payable to named executive officers, the Compensation Committee is guided by the following objectives and principles:

- Compensation levels should be sufficiently competitive to attract and retain key executives. We aim to ensure that our executive compensation program attracts, motivates and retains high performance talent and rewards them for our achieving and maintaining a competitive position in our industry and geographic market. Total compensation (i.e. maximum achievable compensation) should increase with position and responsibility.

- Compensation should relate directly to performance and incentive compensation should be a portion of total compensation. We aim to foster a pay-for-performance culture, with the bonus portion of total compensation being at risk. Accordingly, absent unusual circumstances, any bonus payable as part of total compensation should be tied to and vary with our financial, operational and strategic performance, as well as individual performance. Bonuses should not be granted if these goals and results are not achieved.

- Long-term incentive compensation should align executives interests with our stockholders. Awards of equity-based compensation encourage executives to focus on our long-term growth and prospects, and incentivize executives to manage the company from the perspective of stockholders with a meaningful stake in us, as well as to focus on long-term career orientation.

Our executive compensation program is designed to reward the achievement of goals regarding growth, productivity and profitability, including such goals as:

To assist the Company in achieving and surpassing its internal targets and budgets, including financial and operating targets.

To recruit, motivate and exhibit leadership that aligns employees interests with that of our stockholders.

To develop business models and systems that seek out strategic opportunities, which benefit us and our stockholders.

To implement a culture of compliance and commitment to operate our business with the highest standards of professional conduct and compliance.

Compensation Committee Practices and Procedures

The Compensation Committee determines and reviews the value and forms of compensation for the named executive officers and other officers based on the Compensation Committee members general knowledge and experience, as well as, if appropriate, compensation surveys prepared by third party firms. The Compensation Committee is authorized to retain compensation consultants to assist the Committee in its efforts.

The Compensation Committee is delegated all authority of the Board as may be required or advisable to fulfill the purposes of the Compensation Committee. The Compensation Committee meets as often as it deems necessary or appropriate.

Role of Executive Officers in Compensation Decisions

The Compensation Committee makes all compensation decisions for all executive officers (which includes the named executive officers). The Compensation Committee actively considers, and has the ultimate authority of approving, recommendations made by the Chief Executive Officer regarding all equity awards to our employees. Our Chief Executive Officer determines the non-equity compensation of management level employees who are not executive officers or officers.

The Chief Executive Officer annually reviews the performance of each executive officer (other than the Chief Executive Officer whose performance is reviewed by the Compensation Committee). Based on these annual reviews, the Chief Executive Officer makes recommendations to the Compensation Committee with respect to annual base salary adjustments and short- and long-term incentive compensation awards for such executive officers. The Compensation Committee then reviews these recommendations and exercises its discretion in whether to accept such recommendations or to modify such recommendations as it deems appropriate. The Compensation Committee annually reviews the performance of the Chief Executive Officer and determines the total compensation, including base salary, cash bonus and long-term equity compensation, for the Chief Executive Officer. The Chief Executive Officer does not participate in such determination.

Setting Executive Compensation

Based on the foregoing compensation philosophy, the Compensation Committee has structured our annual, short- and long-term compensation to motivate executives to achieve the financial performance objectives we set and to incentivize the executives to achieve and exceed, and to reward the executives for achieving and exceeding, such objectives. During fiscal year 2013, the Compensation Committee retained the services of The Hay Group to provide the Committee with competitive market compensation data for senior management, a comparison of the Company s senior management compensation levels compared to market data and other data and services to assist the Committee in its consideration of the establishment, structure and amount of executive compensation. During fiscal year 2013, The Hay Group did not provide any other services to the Company.

2013 Executive Officer Compensation Components

For the year ended December 31, 2013, the principal components of compensation for named executive officers were:

base salary;

performance-based incentive compensation, including both short-term cash incentive compensation and long-term equity incentive compensation;

retirement and other benefits; and

perquisites and other personal benefits.

Base Salary

We provide our named executive officers and other employees with a base salary to compensate them for services rendered during the year. Base salary ranges for named executive officers are determined for each executive officer based on various factors considered by the Compensation Committee, including his or her position and level of responsibility and his or her actual performance during the preceding year. Base salaries for each year are typically evaluated annually in the first quarter of such year. Merit-based increases to base salaries for executive officers are based on the Compensation Committee s assessment of various factors, including the individual s performance during the preceding year and base salary history. In 2013, the base salaries for our named executive officers were adjusted to be more heavily weighted toward incentive programs focused on Company financial performance and share price performance compared to a benchmark index.

Performance-Based Incentive Compensation

Our 2005 Employee Stock and Incentive Plan, as amended and restated (the Plan) provides the Compensation Committee with the flexibility to design cash and stock-based incentive compensation programs to promote performance and the achievement of our goals and objectives by executive officers and other key employees by allowing them to participate in our long-term growth and profitability. The Compensation Committee believes that providing performance-based incentive compensation is necessary to attract and retain superior executive talent and to align the financial interests of executive officers with those of our stockholders. A portion of each executive officer s potential aggregate compensation is in the form of incentive compensation. There are two types of performance-based incentive compensation used by the Compensation Committee. The first type is short-term incentive compensation in the form of a performance based cash award. The second type is long-term incentive compensation in the form of grants of performance shares, stock options, restricted stock or restricted stock units.

In May 2013, pursuant to the Plan, the Company issued Performance-Based Cash Awards and Performance Share Awards (as such terms are defined in the Plan) to the Company s named executive officers and other senior management. Under the terms of such Awards, the determination of the dollar amount of the Performance-Based Cash Awards and the number of Performance Shares which each such individual received was subject to, and calculated by reference to, the achievement by the Company of a performance goal measured by a range of targeted adjusted EBITDA performance for 2013. EBITDA represents earnings (or losses) before interest, income taxes, depreciation, and amortization. Adjusted EBITDA further eliminates the effect of stock-based compensation and restructuring and other charges.

The dollar amount of the Performance-Based Cash Awards and number of Performance Shares was determined in March 2014 upon completion of the Company s 2013 annual financial statements. Based upon the achievement of certain targeted adjusted EBITDA goals, the Company paid the following Performance-Based Cash Awards to the named executive officers and the named executive officers received the following vested Performance Shares and are entitled to the following number of unvested Performance Shares:

Named Executive Officer	Performance-Based Cash Award ($)	Performance Shares (# of Shares) Vested	Unvested
Michael C. Willoughby	$ 377,450	52,178	156,532
Thomas J. Madden	$ 246,700	24,349	73,049
Cynthia D. Almond	$ 186,550	18,043	54,129

The number of unvested Performance Shares shown in the table above are subject to three year vesting based upon continued employment and the comparative performance (on an annual and cumulative basis) of the Company s common stock on NASDAQ compared to the Russell Micro Cap Index.

For 2013, the Compensation Committee retained The Hay Group, an independent compensation consultant, to assist the Committee in reviewing and establishing executive and senior management compensation.

Retirement and Other Benefits

Executive officers are eligible to participate in our 401(k) plan and other benefit programs as described below. The Compensation Committee reviews the overall cost to us of these various programs generally on an annual basis or when changes are proposed. The Compensation Committee believes that the benefits provided by these programs have been important factors in attracting and retaining the overall executive officer group, including the named executive officers.

Our 401(k) plan allows for discretionary employer matching funds of the employee contribution. During 2013, the employer match portion was 12% of employee contributions. We do not provide any other tax-qualified deferred compensation plans or programs for our executive officers.

Executive officers also receive benefit of life insurance policies, which provide coverage in varying amounts up to $0.75 million.

Executive officers are also entitled to participate in the various other group health, term life and similar benefit plans available to all of our employees and on the same terms as such employees.

Perquisites and Other Personal Benefits

We provide named executive officers with perquisites and other personal benefits that we and the Compensation Committee believe are reasonable and consistent with our overall compensation program to better enable us to attract and retain superior employees for key positions.

Tax and Accounting Implications

Deductibility of Executive Compensation

As part of its role, the Compensation Committee reviews and considers the deductibility of executive compensation under Section 162(m) of the Code, which provides that we may not deduct compensation of more than $1 million that is paid to certain individuals, subject to certain exemptions. Although the issuance of the Performance-Based Cash Awards and Performance Shares in 2013 did not meet the Section 162(m) exemptions since the performance targets were not established within the required time period, the Committee determined that the issuance of such performance based compensation was appropriate in order to ensure competitive levels of total compensation for the Company s executive officers.

SUMMARY COMPENSATION TABLE

The following table sets forth the compensation paid or accrued by the Company to the Company s Chief Executive Officer and to each of the two most highly compensated executive officers of the Company for services rendered to the Company during the two fiscal years ended December 31, 2013:

Name and Principle Position	Year	Salary (1)	Stock Awards(2)	Non-Equity Incentive Plan Compensation(3)	All Other Compensation	Total
Mark C. Layton (7)	2013	$ 202,028	$	$	$ 1,812,799(4)	$ 2,014,827
Former Chief Executive Officer	2012	612,346		95,290	79,181(4)	786,817
Michael C. Willoughby (7)	2013	$ 422,985	$ 1,339,398	$ 377,450	$ 27,688(5)	$ 2,167,521
Chief Executive Officer, President and Chief Information Officer	2012	451,731		95,290	28,496	575,517
Thomas J. Madden	2013	$ 343,561	$ 625,050	$ 246,700	$ 44,824(6)	$ 1,260,135
Executive Vice President Chief Financial Officer	2012	401,538		95,290	38,788	535,616
Cynthia D. Almond	2013	$ 249,804	$ 463,168	$ 186,550	$ 22,431(5)	$ 921,953
Executive Vice President Secretary	2012	276,112		95,290	18,755	390,157

(1) Salary represents base salary earnings

(2) The stock awards consist of a grant of a Performance Share Award of common stock under the Company s 2005 Employee Stock and Incentive Plan, as amended and restated (the Plan). The Performance Share Awards are subject to four year vesting beginning with 2013 based upon continued employment and the comparative performance (on an annual and cumulative basis) of the Company s common stock on NASDAQ as compared to the Russell Micro Cap Index. The amounts reported in this column represent the grant date fair value for these awards as calculated in accordance with Accounting Standards Codification Topic 718. The assumptions made in calculating the grant date fair value amounts for these Performance Awards are summarized in Note 5 to the Company s consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2013. The amounts in this column do not necessarily correspond to the actual economic value that may be realized by the named executive officers from the Performance Share Awards.

(3) Represents performance based cash awards earned for fiscal years 2012 and 2013 under the Plan.

(4) Represents amounts paid in respect of life insurance premiums, automobile allowance and expenses for personal use of automobile ($22,604 and $35,186 in 2013 and 2012, respectively), club dues and memberships, Company paid healthcare premiums and income tax preparation fees. In addition, pursuant to the Company s severance agreement with Mr. Layton, as amended, the 2013 amount includes an aggregate earned severance amount of $1,764,437, which is payable monthly through April 30, 2015.

(5) Represents amounts paid in respect of life insurance premiums, automobile allowance and expenses for the personal use of automobile and Company paid healthcare premiums.

(6) Represents amounts paid in respect of life insurance premiums, automobile allowances and expenses for the personal use of automobile, club dues and memberships and Company paid healthcare premiums.

(7) Effective March 2013, Mr. Layton no longer serves as Chief Executive Officer of the Company and Mr. Willoughby serves as Chief Executive Officer.

OUTSTANDING EQUITY AWARDS AT 2013 FISCAL YEAR END

The following table sets forth the number of unexercised options and equity incentive plan awards for each named executive officer outstanding as of December 31, 2013.

		Option Awards(1)				Stock Awards	
Name	Grant Date	Number of Securities Underlying Unexercised Options (# Exercisable)	Number of Securities Underlying Unexercised Options (1) (#Unexercisable)	Option Exercise Price ($)	Option Expiration Date	Equity incentive plan awards: Number of unearned shares that have not vested (#)(2)	Equity incentive plan awards: Market or payout value of unearned shares that have not vested ($)(3)
Mark C. Layton (4)	4/5/2005	7,660		$ 12.08	4/4/2015		
Michael C. Willoughby	3/29/2004	9,149		$ 7.57	3/28/2014	156,532	$ 1,419,754
	4/5/2005	7,660		$ 12.08	4/4/2015		