

IPARTY CORP
Form DEF 14A
April 24, 2009

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

SCHEDULE 14A

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Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant
Filed by a Party other than the Registrant
Check the appropriate box:

- 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 Pursuant to §240.14a-12

iParty Corp.
(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):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
 - (2) Aggregate number of securities to which transaction applies:
 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
 - (4) Proposed maximum aggregate value of transaction:
 - (5) Total fee paid:
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- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
 - (1) Amount Previously Paid:
 - (2) Form, Schedule or Registration Statement No.:
 - (3) Filing Party:
 - (4) Date Filed:

iParty Corp.

270 Bridge Street, Suite 301

Dedham, MA 02026

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

The 2009 Annual Meeting of Stockholders of iParty Corp. will be held as follows:

Date: Wednesday, May 27, 2009

Time: 11:00 a.m., local time

Place: Posternak Blankstein & Lund LLP
Prudential Tower
800 Boylston Street, 33rd Floor
Boston, MA 02199

Matters to be voted on:

1. The election of all six directors;
2. Approval of the 2009 Stock Incentive Plan (the **2009 Stock Incentive Plan**);
3. Approval of an amendment to iParty's Restated Certificate of Incorporation to effect a reverse stock split, pursuant to which the existing shares of iParty's common stock would be combined into new shares of iParty common stock at an exchange ratio ranging between one-for-five and one-for-thirty, with the exchange ratio to be determined by the Board of Directors (the **Reverse Stock Split**);
4. Approval to conduct a one-time option repricing / exchange under which eligible employees (including named executive officers and non-employee independent directors) would be able to elect to exchange certain outstanding stock options issued under our Amended and Restated 1998 Incentive and Nonqualified Stock Option Plan for a fewer number of lower priced options with the same vesting conditions and term (the **Option Repricing / Exchange**);

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5. Ratification of the selection of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 26, 2009; and

6. Any other matters properly brought before the annual meeting or any adjournment thereof.

The Board of Directors has fixed the close of business on April 6, 2009 as the record date for determining stockholders entitled to notice of and to vote at the annual meeting. Representation in person or by proxy of at least a majority of all outstanding shares of stock entitled to vote at the meeting, on an as converted basis, is required to constitute a quorum. Accordingly, it is important that your shares be represented at the annual meeting. The list of stockholders entitled to vote at the annual meeting will be available for examination by any stockholder at our offices at 270 Bridge Street, Suite 301, Dedham, MA 02026 for ten (10) days prior to May 27, 2009. Enclosed with the proxy statement for the meeting, you will find a copy of our Annual Report on Form 10-K for fiscal 2008.

Your vote at the meeting is very important to us regardless of the number of shares you own. Please vote your shares, whether or not you plan to attend the meeting, by completing the enclosed proxy card and returning it to us in the enclosed envelope. Should you want to change your vote prior to the annual meeting you may do so in accordance with the instructions contained in the accompanying proxy statement.

By Order of the Board of Directors,

/s/ David Robertson
DAVID ROBERTSON
Secretary

This notice, proxy statement, and form of proxy are being distributed on or about April 25, 2009.

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iParty Corp.

270 Bridge Street, Suite 301

Dedham, MA 02026

PROXY STATEMENT

for Annual Meeting of Stockholders to Be Held on May 27, 2009

GENERAL INFORMATION

Our Board of Directors (the **Board**) is furnishing you this proxy statement to solicit proxies on its behalf to be voted at the Annual Meeting of Stockholders of iParty Corp. (**iParty** or the **Company**). The meeting will be held at the offices of Posternak Blankstein & Lund LLP, at the Prudential Tower, 33rd Floor, 800 Boylston Street, Boston MA, 02199, on May 27, 2009, at 11:00 a.m., local time. The proxies also may be voted at any adjournments or postponements of the meeting.

The mailing address of our principal executive offices is iParty Corp., 270 Bridge Street, Suite 301, Dedham, MA, 02026. We are first furnishing the proxy materials to stockholders on or about April 25, 2009.

All properly executed written proxies that are delivered pursuant to this solicitation will be voted at the meeting in accordance with the directions given in the proxy, unless the proxy is revoked prior to completion of voting at the meeting.

Only owners of record of shares of common stock, Series B convertible preferred stock (**Series B Preferred Stock**), Series C convertible preferred stock (**Series C Preferred Stock**), Series D convertible preferred stock (**Series D Preferred Stock**), Series E convertible preferred stock (**Series E Preferred Stock**) and Series F convertible preferred stock (**Series F Preferred Stock**) and together with the Series B Preferred Stock, Series C Preferred Stock, Series D Preferred Stock and Series E Preferred Stock, the **Convertible Preferred Stock**) of the Company at the close of business on April 6, 2009, the record date, are entitled to notice of and to vote at the meeting, or at any adjournments or postponements of the meeting.

QUESTIONS AND ANSWERS ABOUT THE MEETING AND VOTING

What is this document? This is the Notice of our 2009 Annual Meeting of Stockholders of iParty Corp. (**iParty** or the **Company**), combined with our Proxy Statement which provides important information for your use in voting your shares of our common stock, or our various series of Convertible Preferred Stock, at the annual meeting.

Who can vote? You can vote your shares of common stock or your shares of Convertible Preferred Stock if our records show that you owned the shares at the close of business on April 6, 2009, which is the record date for the annual meeting. Shares representing a total of 37,681,026 votes are eligible to vote at the meeting.

Common Stock. You are permitted one vote for each share of common stock you owned at the close of business on April 6, 2009, including (i) shares held in your name as a stockholder of record, and (ii) shares held in street name for you as the beneficial owner through a broker, trustee, or other nominee, such as a bank. Thus, as of April 6, 2009, there were 22,731,667 votes eligible to vote at the meeting associated with shares of common stock. The enclosed proxy card shows the number of shares you can vote.

Convertible Preferred Stock. Except as otherwise required by Delaware General Corporation Law, the Convertible Preferred Stock is entitled to vote together with the common stock on all matters to which the common stock is entitled to vote. When the Convertible Preferred Stock votes together with the common stock as one class, you are permitted one vote for each whole number of shares of our common stock into which the shares of Convertible Preferred Stock are convertible. Thus, as of April 6, 2009, the number of votes eligible to vote at the meeting were 6,039,839 votes associated with 464,603 shares of Series B Preferred Stock (you are permitted thirteen (13) votes for each share of Series B Preferred Stock), 1,300,000 votes associated with 100,000 shares of Series C

Preferred Stock (you are permitted thirteen (13) votes for each share of Series C Preferred Stock), 3,500,000 votes associated with 250,000 shares of Series D Preferred Stock (you are permitted fourteen (14) votes for each share of Series D Preferred Stock), 2,966,660 votes associated with 296,666 shares of Series E Preferred Stock (you are permitted ten (10) votes for each share of Series E Preferred Stock), and 1,142,860 votes associated with 114,286 shares of Series F Preferred Stock (you are permitted ten (10) votes for each share of Series F Preferred Stock).

In each such case, the number of votes is calculated based on the number of shares you owned at the close of business on April 6, 2009, including shares held in your name as a stockholder of record and shares held in street name for you as the beneficial owner through a broker, trustee, or other nominee, such as a bank. The enclosed proxy card shows the number of shares you can vote.

Special Voting Rights of Series C and Series D Preferred Stock with Respect to Election of Directors. So long as at least fifty percent (50%) of the initially issued shares of Series C Preferred Stock remains outstanding, the holders of the Series C Preferred Stock are entitled to vote alone for the election of a Series C Director. So long as at least fifty percent (50%), of the initially issued shares of Series D Preferred Stock remains outstanding, the holders of the Series D Preferred Stock are entitled to vote alone for the election of a Series D Director.

Special Voting Rights of the Convertible Preferred Stock. Under the various Certificates of Designations, each series of Convertible Preferred Stock has a separate class vote in the following instances:

- The creation and issuance of any series of preferred stock or other security which is senior as to liquidation and or dividend rights to such Convertible Preferred Stock; and
- An action that repeals, amends, or otherwise changes the Certificate of Designation or Certificate of Incorporation in a manner that would alter or change the powers, preferences, rights, privileges, restrictions and conditions of the particular class of Convertible Preferred Stock to adversely affect such class.

Unless otherwise specified in the Certificate of Designation, when voting as a separate class, you are permitted one vote for each share of Convertible Preferred Stock you owned at the close of business on April 6, 2009, including (i) shares held in your name as a stockholder of record, and (ii) shares held in street name for you as the beneficial owner through a broker, trustee, or other nominee, such as a bank. In the case of the second bullet point above, each holder, regardless of the number of shares of Convertible Preferred Stock owned of record or beneficially, is permitted one vote.

How do I vote by proxy? Follow the instructions on the enclosed proxy card to vote on each proposal to be considered at the annual meeting. Sign and date the proxy card and mail it back in the enclosed envelope. The proxy holders named on the proxy card will vote your shares as you instruct. If you sign and return the proxy card but do not vote on a proposal, the proxy holders will vote for you on that proposal. Unless you instruct otherwise, the proxy holders will vote in accordance with the Board of Director's recommendation below.

What is the purpose of the Reverse Stock Split? The primary purpose of the Reverse Stock Split is to increase proportionately the per share trading price of iParty's common stock. Our common stock is listed on the NYSE Amex. Under the NYSE Amex's listing standards, if the exchange considers our common stock to be a low priced stock, our common stock could be subject to a delisting notification. The exchange considers a low priced stock to be a stock that is selling for a substantial period of time at a low price. Our common stock has not traded above \$1.00 per share since February 2005, and our price per share has ranged from a low of \$.03 per share to a high of \$.30 per share during the one year period ended April 6, 2009. If we were to receive a formal delisting notification letter from the NYSE Amex, to regain compliance we would need to effect a reverse stock split, which would require us to convene a special meeting of stockholders. Given the time and expense associated with convening a special meeting of stockholders, the Board of Directors has determined that it is most efficient to seek stockholder approval of the Reverse Stock Split at this Annual Meeting to avoid having to convene a special meeting at a later date.

We also believe that the increased market price of our common stock expected as a result of implementing the Reverse Stock Split may encourage interest and trading in our common stock. Because of the trading volatility often associated with low-priced stocks, many brokerage houses and institutional investors have internal policies and practices that either prohibit them from investing in low-priced stocks or tend to discourage individual brokers from recommending low-priced stocks to their customers. Some of those policies and practices may function to make the processing of trades in low-priced stocks economically unattractive to brokers. Moreover, because brokers' commissions on low-priced stocks generally represent a higher percentage of the stock price than commissions on higher-priced stocks, the current average price per share of common stock can result in individual stockholders paying transaction costs representing a higher percentage of their total share value than would be the case if the share price were substantially higher. Although it should be noted that the liquidity of our common stock may be harmed by the Reverse Stock Split given the reduced number of shares that would be outstanding after the Reverse Stock Split and the price of our Common Stock may still be below many brokerage houses' and institutional investors' internal policies, our Board of Directors is hopeful that the anticipated higher market price will offset, to some extent, the negative effects on the liquidity and marketability of our common stock inherent in some of the policies and practices of institutional investors and brokerage houses described above.

What effect will the Reverse Stock Split have on me? On the date the amendment to our Restated Certificate of Incorporation effectuating the Reverse Stock Split is filed with the Secretary of State of the State of Delaware, referred to in this proxy statement as the effective date, the existing outstanding shares of our Common Stock would be combined into new shares of our Common Stock at an exchange ratio ranging from one-for-five to one-for-thirty, with the specific exchange ratio to be determined by us. This means that you would receive one new share of our Common Stock for each five to thirty shares of Common Stock that you currently hold, depending on the exchange ratio we determine. In addition, the conversion rate of our Convertible Preferred Stock would be adjusted proportionally in accordance with the determined exchange ratio. Our Board of Directors believes that stockholder approval granting us discretion to set the actual exchange ratio within the range from one-for-five to one-for-thirty, rather than stockholder approval of a specified exchange ratio, provides us with maximum flexibility to react to then-current market conditions and volatility in the market price of our Common Stock in order to set an exchange ratio that is intended to result in a stock price in excess of the \$1.00 per share with the intention of avoiding being considered a low-priced stock under NYSE Amex rules and therefore stockholder approval granting this discretion is in the best interests of iParty and its stockholders. However, there can be no assurance that the Reverse Stock Split will result in our Common Stock trading above \$1.00 per share or avoid being considered a low priced stock in the future or maintain compliance with the other quantitative and qualitative requirements under the NYSE Amex listing standards. The Reverse Stock Split would affect all stockholders uniformly and would not affect any stockholder's percentage ownership interest in iParty, except to the extent that the Reverse Stock Split would result in some of our stockholders owning a fractional share. You would receive cash in lieu of any fractional share that would otherwise be issuable.

Am I entitled to appraisal rights from the Reverse Stock Split? No. Under the Delaware General Corporation Law, stockholders are not entitled to appraisal rights with respect to the proposed amendment to our Restated Certificate of Incorporation to effect the Reverse Stock Split and we will not independently provide our stockholders with any such right.

What are the federal income tax consequences of the Reverse Stock Split? We expect that our stockholders generally will not recognize tax gain or loss as a result of the Reverse Stock Split. However, gain or loss will be recognized on the small amount of cash received in lieu of any fractional shares. Moreover, the tax consequences to each stockholder will depend on his or her particular situation. For further information, see the discussion on page 21 under the heading "Federal Income Tax Consequences of the Reverse Stock Split."

Should I send my stock certificates in now with respect to the Reverse Stock Split? **NO**, do not send in your stock certificates now. After the Reverse Stock Split is approved and effected, we will send you instructions for submitting your pre-split stock certificate(s) in exchange for your post-split stock certificate and cash, if any, in lieu of a fractional share.

What is the objective of the Option repricing / Exchange? We have issued stock options under our Amended and Restated 1998 Incentive and Nonqualified Stock Option Plan (the "1998 Plan") as a means of promoting the

long-term success of our business by encouraging our employees, officers and directors to devote their abilities to iParty. However, substantially all outstanding stock options have exercise prices that are significantly higher than the current market price of our Common Stock. As a result, the Board of Directors believes that these stock options have little or no current value as an incentive to retain and motivate our officers and directors.

As a result, our Compensation Committee and Board of Directors have determined that it would be in the best interests of iParty and its stockholders to conduct a stock option repricing / exchange program, referred to in this proxy statement as the Option Repricing / Exchange, under which iParty would offer to our named executive officers, our four non-employee independent directors (Messrs. De Wolf, Haydu, Schindler, and Vassalluzzo) and certain senior officers as determined by the Board of Directors the opportunity to exchange stock options with an exercise price between \$.25 per share and \$1.00 per share (which may be adjusted for stock splits and other changes in capitalization, including the Reverse Stock Split), on a nine-for-ten basis for our named executive officers and senior officers, and an eight-for-ten basis for our four non-employee independent directors for repriced stock options with an exercise price equal to the greatest of (i) 110% of the six month average daily closing price of our common stock as reported on the NYSE Amex as of the grant date, (ii) 110% of the closing price of our common stock as reported on the NYSE Amex as of the grant date, and (iii) \$0.10 per share. The vesting conditions and term of the repriced stock options would remain unchanged. In addition, each option held by a participant with an exercise price in excess of \$1.00 per share (subject to adjustments for stock splits and other changes in capitalization, including the Reverse Stock Split) would be cancelled, which we expect to total approximately 125,000 shares. Our Board of Directors believes that the proposed Option Repricing / Exchange would create better incentives for employees, officers and directors to remain with us and contribute to the attainment of our business and financial objectives.

Under the NYSE Amex rules, stockholder approval is required to conduct the Option Repricing / Exchange. By approving the Option Repricing / Exchange, you would allow us to conduct the Option Repricing / Exchange on the terms described herein, at any time, at the Board's discretion.

Can our Board of Directors abandon the Reverse Stock Split, or the proposed Option Repricing / Exchange? Our Board of Directors reserves the right, in its discretion, to abandon the Reverse Stock Split at any time prior to filing the amendment to our Restated Certificate of Incorporation with the Secretary of State of the State of Delaware.

While we intend to undertake the proposed Option Repricing / Exchange in the manner described in this proxy statement as soon as practicable, our Board of Directors reserves the right, in its discretion, to abandon the proposed Option Repricing / Exchange at any time for any reason.

How does the Board of Directors recommend that I vote on the proposals? The Board of Directors recommends that you vote:

FOR the election of all six nominees to serve as directors;

FOR the approval of the 2009 Stock Incentive Plan;

FOR the approval of an amendment to iParty's Restated Certificate of Incorporation to effect a reverse stock split, pursuant to which the existing shares of iParty's common stock would be combined into new shares of iParty common stock at an exchange ratio ranging between one-for-five and one-for-thirty, with the exchange ratio to be determined by the Board of Directors;

FOR the approval for iParty to conduct a one-time option repricing / exchange under which eligible employees (including named executive officers and non-employee independent directors) would be able to elect to exchange certain outstanding stock options issued under our Amended and Restated 1998 Incentive and Nonqualified Stock Option Plan for a fewer number of lower priced options with the same vesting conditions and term;

FOR the ratification of the selection of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 26, 2009.

What if other matters come up at the meeting? The matters described in this proxy statement are the only matters we know that will be voted on at the meeting. If other matters are properly presented at the meeting, the proxy holders will vote your shares in their discretion.

Can I change my vote after I return my proxy card? Yes. At any time before the annual meeting, you can change your vote either by sending our Chief Financial Officer, David E. Robertson, a written notice revoking your proxy card or by signing, dating, and returning to us a new proxy card. We will honor the proxy card with the latest date.

Can I vote in person at the meeting rather than by completing the proxy card? Although we encourage you to complete and return the proxy card even if you plan to attend the meeting to ensure that your vote is counted, you can always vote your shares in person at the meeting.

Who will count the votes? The votes cast by holders of shares of our common stock and our Convertible Preferred Stock will be counted, tabulated and certified by the transfer agent and registrar of our common stock and Series B preferred stock, Continental Stock Transfer & Trust Co. David E. Robertson, our Chief Financial Officer, will serve as the inspector of elections at the annual meeting.

Will my vote be kept confidential? Yes, your vote will be kept confidential and we will not disclose your vote, unless (1) we are required to do so by law (including in connection with the pursuit or defense of a legal or administrative action or proceeding), (2) a stockholder makes a written comment on the proxy card or otherwise communicates his or her vote to management, (3) to allow the inspector of elections to certify the results of the vote, or (4) there is a contested election for the Board of Directors. The inspector of elections will forward any written comments that you make on the proxy card to our Board of Directors and Chief Executive Officer without providing your name, unless you expressly request disclosure on your proxy card.

What do I do if I am a beneficial owner and my shares are held in street name? If your shares are held in the name of your broker, a bank, or other nominee, that party will give you instructions for voting your shares, which should be enclosed with this document.

What constitutes a quorum? In order for business to be conducted at the meeting, a quorum must be present. The presence, in person or by proxy, of the holders of a majority of the outstanding shares of stock entitled to vote at the annual meeting, on an as converted basis, is necessary to constitute a quorum at the annual meeting.

Shares of common stock and Convertible Preferred Stock represented in person or by proxy (including broker non-votes, if any, and shares that abstain or do not vote with respect to one or more of the matters to be voted upon) will be counted for the purpose of determining whether a quorum exists. Broker non-votes are those shares that are held in street name by a broker, bank, or other nominee that indicates on its proxy that

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it does not have discretionary authority to vote on a particular matter. Brokers, banks and other nominees may not be able to use their discretionary authority for the matters involving the Option Repricing / Exchange, the Reverse Stock Split, and the 2009 Stock Incentive Plan.

If a quorum is not present, the meeting will be adjourned until a quorum is obtained. Under our bylaws, notice need not be given of any such adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting, our stockholders may transact any business that might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, our by-laws require that a notice of the adjourned meeting be given to each stockholder of record entitled to vote at the meeting.

What is the voting requirement to approve each proposal? In the election of directors, the persons receiving the greatest number of **FOR** votes at the meeting will be elected. Holders of shares of Series C Preferred Stock alone are entitled to cast votes in respect of the election of the Series C Director.

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The proposal to approve our 2009 Stock Incentive Plan requires the affirmative vote of a majority of the votes cast at the meeting by the holders of outstanding shares of all classes of our stock entitled to vote thereon who are present at the meeting either in person or by proxy.

The proposal to authorize the Reverse Stock Split requires the affirmative vote of a majority of the outstanding shares of our common stock and Convertible Preferred Stock, voting together as single class, on an as converted basis.

The proposal to authorize the Option Repricing / Exchange requires the affirmative vote of a majority of the votes cast at the meeting by the holders of outstanding shares of all classes of our stock entitled to vote thereon who are present at the meeting either in person or by proxy.

The proposal to ratify the selection of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 26, 2009 requires the affirmative vote of a majority of the votes cast at the meeting by the holders of outstanding shares of all classes of our stock entitled to vote thereon who are present at the meeting either in person or by proxy.

Votes withheld for a particular director nominee and broker non-votes, if any, will have no effect on the outcome of the election of directors. Abstentions and broker non-votes, if any, will have the same effect as a **NO** vote with respect to the approval of the Reverse Stock Split. Neither abstentions nor broker non-votes, if any, will have an effect on the voting for the Option Repricing / Exchange, our 2009 Stock Incentive Plan, or the ratification of the selection of Ernst & Young LLP as our independent registered public accounting firm.

What are broker non-votes ? If you hold shares beneficially in street name and do not provide your broker with voting instructions, your shares may constitute broker non-votes. Generally, broker non-votes occur on a matter when a broker is not permitted to vote on that matter without instructions from you, as the beneficial owner. Brokers, banks and other nominees may not be able to use their discretionary authority for the matters involving the Option Repricing / Exchange, Reverse Stock Split and 2009 Stock Incentive Plan; however, they may be able to use their discretionary authority for the matters involving the election of directors and the ratification of our independent registered public accounting firm for the fiscal year ended December 26, 2009.

Where can I find the voting results? We will announce the results of the voting at the annual meeting and report the voting results in our Quarterly Report on Form 10-Q for the second quarter of fiscal 2009, which we expect to file with the Securities and Exchange Commission (**SEC**) in August 2009. The results will be contained in Part II, Item 4 of that Quarterly Report, which will be available via Internet on the Investor Relations page of our licensed website at www.iparty.com and on the SEC's website, www.sec.gov.

Who pays for this proxy solicitation? We do. In addition to sending you these materials, one of our officers, directors or employees may contact you by telephone, by mail, or in person. None of these persons will receive any extra compensation for doing this.

How and when may I submit a stockholder proposal for consideration at next year's annual meeting of stockholders or to recommend nominees to serve as directors? You may submit proposals, including director nominations, for consideration at future stockholder meetings.

Stockholder Proposals: If you are interested in submitting a proposal for inclusion in our proxy statement for next year's annual meeting, or would like to recommend a nominee for director, we must receive your written proposal at our principal executive offices no later than December 26, 2009, which is the 120th calendar day before the one-year anniversary of the proxy statement we are releasing to our stockholders for this year's annual meeting. If the date of next year's annual meeting (or special meeting in lieu of the annual meeting) is moved more than 30 days before or after the anniversary date of this year's meeting, the deadline for inclusion of proposals in our proxy statement will instead be a reasonable time before we begin to print and mail our proxy materials next year. Such proposals also will need to comply with SEC regulations under Rule 14a-8 (Shareholder Proposals) regarding the inclusion of shareowner proposals in company-sponsored proxy materials. Any proposals should be addressed to:

iParty Corp.
270 Bridge Street, Suite 301
Dedham, MA 02026
ATTN: David E. Robertson, Chief Financial Officer
Fax: (781) 326-7143

Except in the case of proposals made in accordance with SEC Rule 14a-8 (Shareholder Proposals), the Company's proxy holders are allowed to use their discretionary voting authority on stockholder proposals that the Company did not receive written notice of at least 45 days prior to the anniversary of the date on which the Company first mailed its proxy materials for its immediately preceding annual meeting of stockholders, which for the 2010 Annual Meeting of Stockholders is March 11, 2010.

Copy of By-Law Provisions: You may contact our Chief Financial Officer (Mr. Robertson) at our principal executive offices for a copy of the relevant by-law provisions regarding the requirements for making stockholder proposals. Our by-laws also are available on the Investor Relations page on our licensed website at www.iparty.com.

How may I communicate with the board of directors or the non-management directors on the board of directors? You may submit an e-mail to our Board of Directors at bod@iparty.com. All directors have access to this e-mail address. Communications intended for our non-management independent directors should be directed to the attention of Frank Haydu at fwh23@yahoo.com. You may report your concerns anonymously or confidentially.

Does iParty have a policy regarding the attendance of directors at the meeting? Our by-laws do not mandate that members of the Board of Directors must attend the annual meeting of stockholders and we have no separate policy regarding such attendance.

How many directors attended last year's annual meeting? With the exception of Mr. DeWolf and Mr. Schindler who were unable to attend the meeting, all of our directors were present in person at last year's annual meeting.

Does iParty have a code of conduct applicable to all directors, officers, and employees? Yes. In accordance with Section 406 of the Sarbanes-Oxley Act, Item 406 of SEC Regulation S-K, and Section 807 of the enhanced corporate governance rules of the NYSE Amex, we have adopted a code of business conduct and ethics that is applicable to all our directors, officers and employees and is available on the Investor Relations page on our licensed website at www.iparty.com. Our written code of business conduct and ethics provides for an enforcement mechanism and requires that waiver of its provisions for any of our directors or officers must be approved by our Board of Directors. We are required to disclose any such waivers on the Investor Relations page of our corporate website at www.iparty.com.

Where can I see the Company's corporate documents and SEC filings? iParty's website contains its by-laws, the Board Committee charters, corporate governance guidelines, code of business conduct and ethics and the Company's SEC

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filings. To view the by-laws, the Board's committee charters, corporate governance guidelines, or code of business conduct and ethics, go to www.iparty.com, and click on "Investor Relations". To view iParty's SEC filings, including Forms 3, 4, and 5 filed by the Company's directors and executive officers, go to www.iparty.com, click on "Investor Relations" and then click on "SEC Filings".

iParty will also promptly deliver free of charge, upon request, the Company's Restated Certificate of Incorporation, bylaws, Board Committee charters, corporate governance guidelines or the code of business conduct and ethics to any stockholder requesting a copy. Requests for these documents may be made in the same manner as requests for a copy of iParty's Annual Report on Form 10-K.

How can I obtain an annual report on Form 10-K? A copy of our Annual Report on Form 10-K for the year ended December 27, 2008 is enclosed with this proxy statement. Stockholders may request another free copy of our proxy statement and our 2008 Annual Report on Form 10-K by email at investorrelations@iparty.com, by toll free telephone at 888-290-2945, or by making a written or oral request to:

iParty Corp.

270 Bridge Street, Suite 301

Dedham, MA 02026

ATTN: David E. Robertson, Chief Financial Officer

Telephone: (781) 329-3952

Our proxy statement and Annual Report on Form 10-K for fiscal 2008 are also available on the Investor Relations page of our licensed website at www.iparty.com, as noted below, and the SEC's website at www.sec.gov.

Where can I get directions to the meeting? The meeting will be held in the offices of Posternak Blankstein & Lund LLP on the 33rd floor of the Prudential Tower, 800 Boylston Street, Boston, MA. Directions to the meeting location are available at www.pbl.com.

Who should I contact if I have any questions? If you have any questions about the annual meeting or any matters relating to this proxy statement, please contact David E. Robertson, our Chief Financial Officer, at the address and telephone number above.

Important Notice of Internet Availability of Proxy Materials for the Annual Meeting

This proxy statement and our 2008 Annual Report are also available at www.iparty.com/proxy. This web page does not have cookies that identify visitors to the web page.

ITEMS TO BE ACTED ON AT THE MEETING

PROPOSAL NO. 1

ELECTION OF DIRECTORS

Our entire Board of Directors, to consist of six (6) members, will be elected at the meeting. Each nominee for director currently serves on our Board of Directors. The directors elected will hold office until their successors are elected and qualified, which should occur at the next annual meeting or special meeting in lieu thereof, in accordance with our by-laws.

We have no reason to believe that any of the nominees will not be a candidate or will be unable to serve as a director. However, in the event any nominee is not a candidate or is unable or unwilling to serve as a director at the time of the election, the Board of Directors (on recommendation of the Nominating Committee) may either propose to reduce the number of directors or propose a substitute nominee.

Under the Certificate of Designations-Series C, for so long as at least 50% of the initially issued shares of Series C Preferred Stock remain outstanding, the holders of the Series C have the exclusive right, voting separately as a class, to elect one director of the Company (the **Series C Director**). Robert W. Jevon is the designee of the holders of the Series C Preferred Stock.

Under the Certificate of Designations-Series D, for so long as at least 50% of the initially issued shares of Series D Preferred Stock remain outstanding, the holders of the Series D Preferred Stock have the exclusive right, voting separately as a class, to elect one director of the Company (the **Series D Director**). The holders of the Series D Preferred Stock have not elected to designate a Series D Director at the 2009 Annual Meeting.

The Board recommends that you vote FOR each of the following nominees:

- Sal V. Perisano

- Daniel I. De Wolf

- Frank W. Haydu III

- Eric Schindler
- Joseph S. Vassalluzzo
- Robert W. Jevon, Jr. (for Series C Director)

Biographical information about each of these nominees can be found on pages 32 through 34 of this proxy statement.

Unless you specify otherwise, the Board intends the accompanying proxy to be voted for these nominees. Thus, unless you withhold authority or your proxy contains contrary instructions, a properly signed and dated proxy will be voted FOR the election of these nominees. Votes withheld will not affect the outcome of the voting with respect to the election of any nominee.

PROPOSAL NO. 2

APPROVAL OF 2009 STOCK INCENTIVE PLAN

In March 2009, our Board of Directors adopted, subject to stockholder approval, the 2009 Stock Incentive Plan (the **2009 Plan**). The 2009 Plan is intended to advance the interests of our stockholders by enhancing our ability to attract, retain and motivate persons who make, or are expected to make, important contributions to iParty.

The 2009 Plan is intended to replace our Amended and Restated 1998 Incentive and Non-Qualified Plan (the **1998 Plan**). As of April 6, 2009, options to purchase 9,241,845 shares of Common Stock at a weighted-average price of \$0.54 and a weighted-average remaining life of 3.9 years were outstanding under the 1998 Plan and 1,322,894 shares were reserved for future awards under the 1998 Plan. If the 2009 Plan is approved by our stockholders, no further grants will be made under the 1998 Plan. We do not plan on making any material grants under the 1998 Plan between April 6, 2009 and the 2009 Annual Meeting.

The Board of Directors believes that our future success depends, in large part, upon our ability to attract, retain and motivate key personnel. Accordingly, the Board of Directors believes adoption of the 2009 Plan is in the best interests of iParty and its stockholders and recommends a vote **FOR** the approval of the 2009 Plan and the reservation of 1,322,894 shares of Common Stock for issuance under the 2009 Plan, plus the number of shares covering any options that have been granted under the 1998 Plan and that expire, are terminated, surrendered or cancelled without having been fully exercised, or are forfeited in whole or in part, which includes the number of shares that may be cancelled under the 1998 Plan if the Option Repricing / Exchange is approved.

The closing price per share of our Common Stock on the NYSE Amex was \$0.09 per share on April 6, 2009.

Description of the 2009 Plan

The following is a summary of the material terms of the 2009 Plan, a copy of which is attached as ***Exhibit A*** to this Proxy Statement.

Shares Issuable under the 2009 Plan

Awards may be made under the 2009 Plan for up to 1,322,894 shares of Common Stock (which may be adjusted for changes in capitalization, including the Reverse Stock Split and other similar events). This number represents the number of shares remaining available for grant under the 1998 Plan. At this time, we are not seeking to increase the number of shares available under our equity incentive plans. In addition, if an award expires, terminates, is cancelled or otherwise results in shares not being issued under the 1998 Plan, the unused shares covered by such award will generally become available for future grant under the 2009 Plan, including but not limited to, the number of shares that may be cancelled under the 1998 Plan if the Option Repricing / Exchange is approved.

Under the 2009 Plan, if an award expires, terminates, is cancelled or otherwise results in shares not being issued, the unused shares covered by such award will generally become available for future grant under the 2009 Plan. However, any shares tendered to pay the exercise price of an award or to satisfy a tax withholding obligation, and any shares repurchased on the open market using the proceeds from the exercise of an award, shall not become available for future grant under the 2009 Plan. Also, the full number of shares subject to any stock-settled Stock Appreciation Rights (**SARs**) will count against the shares available for issuance under the 2009 Plan, regardless of the number of shares actually issued to settle such SAR upon exercise.

Types of Awards

The 2009 Plan provides for the grant of incentive stock options intended to qualify under Section 422 of the Internal Revenue Code of 1986, as amended (the **Code**), non-statutory stock options, SARs, restricted stock,

restricted stock units (**RSUs**), other stock-based awards and performance awards, as described below and collectively referred to as **awards** .

Options. Optionees receive the right to purchase a specified number of shares of Common Stock at a specified option price and subject to such other terms and conditions as are specified in connection with the option grant. Options must be granted at an exercise price equal to or greater than the fair market value of our common stock, as determined by our Board on the date of grant. Options may not be granted for a term in excess of ten years. The 2009 Plan permits the following forms of payment of the exercise price of options: payment by cash, check or in connection with a cashless exercise through a broker; subject to certain conditions and if permitted by the Board, surrender of shares of our Common Stock, delivery of a promissory note or any other lawful means; or any combination of these forms of payment. No option may provide for the automatic grant of a reload option.

Director Options. The Board of Directors has the discretion to provide for initial, annual and other option grant awards to non-employee directors and to set the number of shares subject to such option grants to non-employee directors. The Board also has the discretion to issue SARs, restricted stock or RSU awards or other stock-based awards to the directors, in addition to or in lieu of option grants.

Stock Appreciation Rights. An SAR is an award entitling the holder, upon exercise, to receive an amount in Common Stock or cash or a combination thereof determined by reference to appreciation, from and after the date of grant, in the fair market value of a share of Common Stock. SARs may be granted independently or in tandem with an option. No SAR may be granted with a term in excess of 10 years.

Restricted Stock Awards. Restricted stock awards entitle recipients to acquire shares of Common Stock, subject to our right to repurchase all or part of such shares if the conditions specified in the award are not satisfied prior to the end of the applicable restriction period established for the award. The Board of Directors will determine the terms and conditions of the applicable Award, including the conditions for vesting and repurchase and the issue price, if any.

Restricted Stock Unit Awards. Instead of granting restricted stock awards, the Board of Directors may grant RSUs, which entitle the recipient to receive shares of Common Stock or cash to be delivered at the time the award vests.

Other Stock-Based Awards. Under the 2009 Plan, the Board of Directors has the right to grant other awards based upon the Common Stock having such terms and conditions as the Board of Directors may determine, including the grant of shares based upon certain conditions, the grant of awards that are valued in whole or in part by reference to, or otherwise based on, shares of Common Stock, and the grant of awards entitling recipients to receive shares of Common Stock to be delivered in the future.

Performance Awards. Restricted stock and RSU awards and other stock-based awards that are intended to qualify as performance-based compensation under Section 162(m) of the Code will be made subject to the achievement of performance goals. We refer to these awards as **performance awards** . Performance awards will vest solely upon the achievement of specified performance criteria designed to qualify for deduction under Section 162(m) of the Code. The performance criteria for each performance award will be based on one or more of the following measures: earnings per share, return on average equity or average assets in relation to a peer group or companies designated by us, earnings, earnings growth, earnings before interest, taxes, depreciation and amortization (EBITDA), operating income, operating margins, revenues, expenses, stock price, market share, chargeoffs, reductions in non-performing assets, return on sales, assets equity or investment, regulatory compliance, satisfactory internal or external audits, improvement of financial ratings, achievement of balance sheet or income statement objectives, net cash provided from continuing operations, stock price appreciation, total shareholder return, cost control, strategic initiatives, net operating profit after tax, pre-tax or after tax income, cash flow, or other such objective goals established by the Compensation

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Committee, or such other Committee that is appointed by the Board of Directors satisfying the requirements of directors under Section 162(m) of the Code. These performance measures may be absolute in their terms or measured against or in relationship to other companies comparably, similarly or otherwise situated. The performance goals may exclude the impact of charges for restructurings, discontinued operations, extraordinary items, other unusual or non-recurring items and the cumulative effect of accounting changes. These performance goals:

- may vary by participant and may be different for different awards;
- may be particular to a participant or the department, branch, line of business, subsidiary or other unit in which the participant works and may cover such period as may be specified by a committee of the Board of Directors; and
- will be set by the Committee within the time period prescribed by, and will otherwise comply with the requirements of, Section 162(m).

The maximum cash payment that can be made in connection with a performance award under the 2009 Plan is \$500,000 per fiscal year per participant.

Restrictions on Repricings

Unless approved by our stockholders:

- no outstanding option or SAR granted under the 2009 Plan may be amended to provide an exercise price that is lower than its then-current exercise price (other than adjustments for changes in capitalization); and
- the Board may not cancel any outstanding option or SAR and grant in substitution new awards under the 2009 Plan covering the same or a different number of shares of Common Stock and having an exercise price lower than the then-current exercise price of the cancelled option or SAR.

We are seeking stockholder approval of a one time option repricing and exchange at this Annual Meeting as described in Proposal No. 4.

Eligibility to Receive Awards

Our employees, officers and directors are eligible to be granted awards under the 2009 Plan. Under the Code, however, incentive stock options may only be granted to our employees and employees of our subsidiaries. The maximum number of shares with respect to which awards may be granted to any participant under the 2009 Plan is 3,500,000 shares per fiscal year. This sublimit is included in the 2009 Plan in order to comply with Section 162(m).

Plan Benefits

As of April 6, 2009, we had approximately 234 full time employees and 586 part time employees who are eligible to receive awards under the 2009 Plan, as well as our non-employee directors. However, the Board of Directors has generally not granted options to lower level employees.

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The granting of awards under the 2009 Plan is discretionary, and other than the potential grant of options potentially issuable to our named executive officers, our four non-employee independent directors and certain other senior officers, as described in Proposal No. 4 if the Option Repricing / Exchange is approved by our stockholders, we cannot now determine the number or type of awards to be granted in the future to any particular person or group.

Transferability of Awards

Awards may not be sold, assigned, transferred, pledged or otherwise encumbered by the person to whom they are granted, either voluntarily or by operation of law, except by will or the laws of descent and distribution or, other than in the case of an incentive stock option, pursuant to a qualified domestic relations order. During the life of the participant, awards are exercisable only by the participant. The Board may permit the gratuitous transfer of an award by the participant to or for the benefit of any immediate family member, family trust or other entity established for the benefit of the participant or an immediate family member if, with respect to such transferee, we would be eligible to use a Form S-8 for the registration of the sale of the Common Stock subject to such award.

Administration

The 2009 Plan is administered by the Board of Directors. The Board has the authority to adopt, amend and repeal the administrative rules, guidelines and practices relating to the 2009 Plan and to interpret the provisions of the 2009 Plan. Pursuant to the terms of the 2009 Plan, the Board of Directors may delegate authority under the 2009 Plan to one or more committees or subcommittees of the Board. The Board has delegated authority under the 2009 Plan to the Compensation Committee. Subject to any applicable limitations contained in the 2009 Plan, the Board of Directors or any committee to whom the Board delegates authority selects the recipients of awards and determine the terms of awards.

Changes in Capitalization

The Board is required to make equitable adjustments in connection with the 2009 Plan and any outstanding awards to reflect stock splits, reverse stock splits, stock dividends, recapitalizations, combination of shares, reclassification of shares, spin-offs, other similar changes in capitalization, and any other dividend or distribution other than an ordinary cash dividend. The 2009 Plan also contains provisions addressing the consequences of any reorganization event, which is defined as:

- any merger or consolidation of iParty with or into another entity as a result of which all of our Common Stock is converted into or exchanged for the right to receive cash, securities or other property, or is cancelled, or
- any exchange of all of our Common Stock for cash, securities or other property pursuant to a share exchange transaction, or
- any liquidation or dissolution of iParty.

In connection with a reorganization event, the Board of Directors will take any one or more of the following actions as to all or any outstanding awards on such terms as the Board determines:

- provide that awards will be assumed, or substantially equivalent awards will be substituted, by the acquiring or succeeding corporation;
- upon written notice, provide that all unexercised awards will terminate immediately prior to the consummation of the reorganization event unless exercised within a specified period following the date of such notice;
- provide that outstanding awards will become exercisable, realizable or deliverable, or restrictions applicable to an award will lapse, in whole or in part prior to or upon the reorganization event;
- in the event of a reorganization event under the terms of which holders of Common Stock will receive upon consummation thereof a cash payment, referred to as the acquisition price, for each share surrendered in the reorganization event, make or provide for a cash payment to an award holder equal to (A) the acquisition price times the number of shares of Common Stock subject to the holder's awards over (B) the aggregate exercise price of all the holder's outstanding awards, in exchange for the termination of such awards;
- provide that, in connection with a liquidation or dissolution, awards will convert into the right to receive liquidation proceeds; and
- any combination of the foregoing.

The 2009 Plan also contains provisions addressing the consequences of any change in control event (as defined in the 2009 Plan). Except to the extent otherwise provided in the instrument evidencing an award or in any other agreement, upon the occurrence of a change in control event:

- all options and SARs then outstanding shall automatically become immediately exercisable in full; and

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- the restrictions and conditions on all other awards then outstanding will be deemed waived only if and to the extent specified by the Board of Directors.

Substitute Awards

In connection with a merger or consolidation of an entity with us or the acquisition by us of the assets or stock of an entity, the Board may grant awards in substitution for any options or other stock or stock-based awards granted by such entity or an affiliate thereof. Substitute awards may be granted on such terms as the Board deems appropriate in the circumstances, notwithstanding any limitations on awards contained in the 2009 Plan. Substitute awards will not count against the 2009 Plan's overall share limit, except as may be required by the Code.

Amendment or Termination

No new awards may be made under the 2009 Plan after May 27, 2019, ten years after the 2009 Annual Meeting date, but awards previously granted may extend beyond that date. The Board of Directors may at any time amend, suspend or terminate the 2009 Plan, provided that stockholder approval will be required to the extent required by Section 162(m), the NYSE Amex or tax laws relating to incentive stock options.

Consequences of Nonapproval

If stockholders do not approve the adoption of the 2009 Plan, the 2009 Plan will not go into effect, we will not grant any awards under the 2009 Plan and the shares currently reserved for issuance under the 1998 Plan will remain available for grant under the 1998 Plan. Without the approval of the 2009 Plan, we will not have the flexibility to grant other types of incentive awards to current and future employees and, given that the 1998 Plan is over ten years old, we will only be able to grant nonstatutory stock options under the 1998 Plan. In such event, our Board may consider whether to adopt alternative arrangements based on its assessment of our needs.

Federal Income Tax Consequences

The following is a summary of the United States federal income tax consequences that generally will arise with respect to awards granted under the 2009 Plan, except for options granted under the 2009 Plan in connection with the Option Repricing / Exchange, which is discussed below in Proposal No. 4. This summary is based on the federal tax laws in effect as of the date of this proxy statement. In addition, this summary assumes that all awards are exempt from, or comply with, the rules under Section 409A of the Code regarding nonqualified deferred compensation. The 2009 Plan provides that no award will provide for deferral of compensation that does not comply with Section 409A of the Code, unless the Board, at the time of grant, specifically provides that the award is not intended to comply with Section 409A. Changes to these laws could alter the tax consequences described below.

Incentive Stock Options

A participant will not recognize income upon the grant of an incentive stock option. Also, except as described below, a participant will not recognize income upon exercise of an incentive stock option if the participant has been employed by iParty at all times beginning with the option grant date and ending three months before the date the participant exercises the option. If the participant has not been so employed during that time, then upon exercise the participant will be taxed as described below under *Non-statutory Stock Options*. The exercise of an incentive stock option may subject the participant to the alternative minimum tax.

A participant will have income upon the sale of the stock acquired under an incentive stock option at a profit (if sales proceeds exceed the exercise price). The type of income will depend on when the participant sells the stock. If a participant sells the stock more than two years after the option was granted and more than one year after the option was exercised, then all of the profit will be long-term capital gain. If a participant sells the stock prior to satisfying these waiting periods, then the participant will have engaged in a disqualifying disposition and a portion of the profit will be ordinary income and a portion may be capital gain. This capital gain will be long-term if the participant has held the stock for more than one year and otherwise will be short-term. If a participant sells the stock at a loss (sales proceeds are less than the exercise price), then the loss will be a capital loss. This capital loss will be long-term if the participant held the stock for more than one year and

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otherwise will be short-term. The period of time during which a participant has held an incentive stock option may not be added to the participant's holding period for the stock purchased upon exercise of the option. The holding period for stock begins upon exercise.

Non-statutory Stock Options

A participant will not recognize income upon the grant of a non-statutory stock option. A participant will recognize compensation income upon the exercise of a non-statutory stock option equal to the value of the stock on the day the participant exercises the option less the exercise price. Upon sale of the stock, the participant will recognize capital gain or loss equal to the difference between the sales proceeds and the value of the stock on the

day the option was exercised. This capital gain or loss will be long-term if the participant has held the stock for more than one year and otherwise will be short-term.

Stock Appreciation Rights

A participant will not recognize income upon the grant of an SAR. A participant generally will recognize compensation income upon the exercise of an SAR equal to the amount of the cash and the fair market value of any stock received. Upon the sale of the stock, the participant will recognize capital gain or loss equal to the difference between the sales proceeds and the value of the stock on the day the SAR was exercised. This capital gain or loss will be long-term if the participant held the stock for more than one year and otherwise will be short-term.

Restricted Stock Awards

A participant will not recognize income upon the grant of restricted stock unless an election under Section 83(b) of the Code is made within 30 days of the date of grant. If a timely 83(b) election is made, then, for the calendar year of the grant, the participant will recognize compensation income equal to the value of the stock at the time of grant less the purchase price. When the stock is sold, the participant will recognize capital gain or loss equal to the difference between the sales proceeds and the value of the stock on the date of grant. If the participant does not make an 83(b) election, then when the stock vests the participant will recognize compensation income equal to the value of the stock on the vesting date less the purchase price. When the stock is sold, the participant will have capital gain or loss equal to the sales proceeds less the value of the stock on the vesting date. Any capital gain or loss will be long-term if the participant held the stock for more than one year and otherwise will be short-term.

Restricted Stock Units

A participant will not recognize income upon the grant of a RSU. A participant is not permitted to make a Section 83(b) election with respect to a RSU. When the RSU vests, the participant will recognize compensation income on the vesting date in an amount equal to the fair market value of the stock received by the participant on the vesting date less the purchase price, if any. When the stock is sold, the participant will recognize capital gain or loss equal to the sales proceeds less the value of the stock on the vesting date. Any capital gain or loss will be long-term if the participant held the stock for more than one year and otherwise will be short-term.

Other Stock-Based Awards

The tax consequences associated with any other stock-based award granted under the 2009 Plan will vary depending on the specific terms of such award. Among the relevant factors are whether or not the award has a readily ascertainable fair market value, whether or not the award is subject to forfeiture provisions or restrictions on transfer, the nature of the property to be received by the participant under the award and the participant's holding period and tax basis for the award or underlying Common Stock.

Tax Consequences to iParty

There will be no tax consequences to us except that we will be entitled to a deduction when a participant has compensation income. Any such deduction will be subject to the limitations of Section 162(m) of the Code.

Recommendation of the Board of Directors

The Board of Directors recommends that you vote **FOR** the adoption of the 2009 Stock Incentive Plan. Unless you specify otherwise, the Board intends the accompanying proxy to be voted for this Proposal No. 2.

PROPOSAL NO. 3

AMENDMENT OF IPARTY'S RESTATED CERTIFICATE OF INCORPORATION TO EFFECT A REVERSE STOCK SPLIT OF ITS OUTSTANDING COMMON STOCK

General

We are asking our stockholders to approve an amendment to iParty's Restated Certificate of Incorporation in the form set forth in *Exhibit B* to this Proxy Statement (the **Amendment**) providing for a reverse stock split of iParty's outstanding common stock (the **Reverse Stock Split** or **reverse split**), which the Board of Directors, in its discretion, would be authorized to implement at any time prior to our 2010 Annual Meeting of Stockholders, with an exchange ratio ranging from one-for-five to one-for-thirty (each an **Exchange Ratio** and collectively, the **Exchange Ratios**).

A vote **FOR** Proposal No. 3 will constitute your approval of the Amendment and the authorization of the Board of Directors, in its discretion, to effect a Reverse Stock Split at one of the Exchange Ratios. This means that if the Reverse Stock Split is effected, you would receive one new share of our common stock for each five to thirty shares of common stock that you currently hold, depending on the exchange ratio we determine. In addition, under our Restated Certificate of Incorporation, each of the series of Convertible Preferred Stock would receive a corresponding adjustment in their conversion ratios to reflect the Reverse Stock Split.

If stockholders approve Proposal No. 3, the Board of Directors will have the authority, but not the obligation, to effect the Reverse Stock Split at any time prior to the date of the 2010 Annual Meeting of Stockholders, without further approval or authorization of stockholders. If the Board of Directors elects to effect a Reverse Stock Split pursuant to one of the Exchange Ratios, the Board of Directors will be deemed to have abandoned its authorization related to the other Exchange Ratios.

If Proposal No. 3 is approved by the stockholders, the Reverse Stock Split will be effected, if at all, only upon a determination by the Board of Directors that implementing a Reverse Stock Split is in the best interests of iParty and its stockholders. The determination as to whether the Reverse Stock Split will be effected and, if so, pursuant to which Exchange Ratio, will be based upon those market or business factors deemed relevant by the Board of Directors at that time, including, but not limited to:

- existing and expected marketability and liquidity of our common stock;
- prevailing stock market conditions;
- business developments affecting us;
- our actual or forecasted results of operations;
- listing standards under NYSE Amex; and

- the likely effect on the market price of our common stock.

Our Board of Directors believes that stockholder approval granting us discretion to set the actual exchange ratio within the range of the Exchange Ratios, rather than stockholder approval of a specified exchange ratio, provides us with maximum flexibility to react to then-current market conditions and volatility in the market price of our Common Stock in order to set an exchange ratio that is intended to result in a stock price in excess of \$1.00 per share to avoid being considered a low priced stock by the NYSE Amex, and therefore, is in the best interests of iParty and its stockholders. However, there can be no assurance that the Reverse Stock Split will result in our Common Stock trading above \$1.00 for any significant period of time. If the Board of Directors determines to implement the Reverse Stock Split, we intend to issue a press release announcing the terms and effective date of the Reverse Stock Split before we file the Amendment with the Secretary of State of the State of Delaware.

On March 4, 2009, the Board of Directors adopted resolutions declaring advisable and approving the Amendment, subject to stockholder approval, and authorizing any other action that the Board of Directors may deem necessary to implement the Reverse Stock Split, without further approval or authorization of stockholders, at any time prior to the date of the 2010 Annual Meeting of Stockholders. Under iParty's Restated Certificate of Incorporation, approval of the Amendment requires the affirmative vote of a majority of the outstanding shares of

our common stock and Convertible Preferred Stock entitled to vote on the matter, voting together as a single class on an as converted basis.

Purpose of the Reverse Stock Split

The primary purpose of the Reverse Stock Split is to increase proportionately the per share trading price of our Common Stock. Our Common Stock is listed on the NYSE Amex. Under the NYSE Amex's listing standards, if the exchange considers our Common Stock to be a low-priced stock, our Common Stock could be subject to a delisting notification. The exchange considers a low priced stock to be a stock that is selling for a substantial period of time at a low price. Our Common Stock has not traded above \$1.00 per share since February 2005, and our price per share has ranged from a low of \$.03 per share to a high of \$.30 per share for the twelve month period ended April 6, 2009. If we were to receive a formal delisting notification letter from the NYSE Amex, to regain compliance we would most likely need to effect a reverse stock split, which would require us to convene a special meeting of stockholders. Given the time and expense associated with convening a special meeting of stockholders, the Board of Directors has determined that it is most efficient to seek stockholder approval of a potential future Reverse Stock Split at this Annual Meeting to avoid having to convene a special meeting at a later date.

As noted above, if we were to receive a delisting notice, and we were unable to regain compliance in the appropriate time, we could be subject to delisting. Delisting could have a material adverse effect on our business, liquidity and on the trading of our Common Stock. If our Common Stock were delisted, our Common Stock could trade on the OTC Bulletin Board or on the pink sheets maintained by the National Quotation Bureau, Inc. However, such alternates are generally considered to be less efficient markets. Additionally, under the terms of our senior subordinated note with Highbridge International LLC, we are required to maintain the listing of our common stock on an eligible market, which does not include the OTC or the pink sheets. Thus, if we were to breach this provision by being delisted, our business and liquidity could be materially impacted. Further, delisting from the NYSE Amex could also have other negative effects, including potential loss of confidence by customers, suppliers and employees.

We also believe that the increased market price of our Common Stock expected as a result of implementing the Reverse Stock Split may encourage interest and trading in our Common Stock. Because of the trading volatility often associated with low-priced stocks, many brokerage houses and institutional investors have internal policies and practices that either prohibit them from investing in low-priced stocks or tend to discourage individual brokers from recommending low-priced stocks to their customers. Some of those policies and practices may function to make the processing of trades in low-priced stocks economically unattractive to brokers. Moreover, because brokers' commissions on low-priced stocks generally represent a higher percentage of the stock price than commissions on higher-priced stocks, the current average price per share of common stock can result in individual stockholders paying transaction costs representing a higher percentage of their total share value than would be the case if the share price were substantially higher. Although it should be noted that the liquidity of our Common Stock may be harmed by the Reverse Stock Split given the reduced number of shares that would be outstanding after the Reverse Stock Split and the price of our Common Stock may still be below many brokerage houses' and institutional investors' internal policies, our Board of Directors is hopeful that the anticipated higher market price will offset, to some extent, the negative effects on the liquidity and marketability of our Common Stock inherent in some of the policies and practices of institutional investors and brokerage houses described above.

Board Discretion to Implement the Reverse Stock Split

If Proposal No. 3 is approved by our stockholders, the Reverse Stock Split will be effected, if at all, only upon a determination by the Board of Directors that the Reverse Stock Split is in the best interests of iParty and its stockholders. The Board of Directors' determination as to whether the Reverse Stock Split will be effected and, if so, at which Exchange Ratio, will be based upon certain factors, including existing and expected marketability and liquidity of our Common Stock, prevailing stock market conditions, business developments affecting us, actual or forecasted results of operations and the likely effect on the market price of our Common Stock, and the listing standards of the NYSE Amex. If the Board does not to implement the Reverse Stock Split prior to the date of the 2010 Annual Meeting of Stockholders, the authorization granted by

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stockholders pursuant to this Proposal No. 3 would be deemed abandoned and without any further effect. In that case, the Board of Directors may again seek stockholder approval at a future date for the Reverse Stock Split if it deems it to be advisable.

Effect of the Reverse Stock Split

If approved by our stockholders and implemented by the Board of Directors, as of the effective time of the Amendment, each issued and outstanding share of our Common Stock would immediately and automatically be reclassified and reduced into a fewer number of shares of our Common Stock, depending upon the Exchange Ratio selected by the Board of Directors, which could range between one-for-five and one-for-thirty.

Except to the extent that the Reverse Stock Split would result in any stockholder receiving cash in lieu of fractional shares described below, the Reverse Stock Split will not:

- affect any stockholder's percentage ownership interest in us;
- affect any stockholder's proportionate voting power;
- substantially affect the voting rights or other privileges of any stockholder, unless the stockholder holds fewer than the number of shares selected among the Exchange Ratios, in which case, depending upon the Exchange Ratio, such stockholder would receive cash for all of his or her Common Stock held before the Reverse Stock Split and would cease to be an iParty stockholder following the Reverse Stock Split; or
- alter the relative rights of common stockholders, Convertible Preferred Stockholders, warrant holders or holders of equity compensation plan awards.

Depending upon the Exchange Ratio selected by the Board of Directors, the principal effects of the Reverse Stock Split are:

- the number of shares of Common Stock issued and outstanding will be reduced by a factor ranging between five and thirty;
- the per share exercise price will be increased by a factor between five and thirty, and the number of shares issuable upon exercise shall be decreased by the same factor, for all outstanding options, warrants and other convertible or exercisable equity instruments entitling the holders to purchase shares of our common stock;
- the number of shares authorized and reserved for issuance under our existing equity compensation plans will be reduced proportionately; and
- the conversion rates for our Convertible Preferred Stock will be adjusted proportionately.

The following table contains approximate information relating to our Common Stock, Convertible Preferred Stock, our outstanding warrants and outstanding options under our 1998 Plan, under various proposed options, at an assumed date of April 6, 2009, on a fully diluted as converted basis:

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	Pre Reverse Split	1-for 5	1-for-10	1-for-20	1-for-30
Authorized Common stock	150,000,000	150,000,000	150,000,000	150,000,000	150,000,000
Outstanding Common Stock	22,731,667	4,541,787	2,271,652	1,135,712	756,643
Reserved for issuance under 1998 Plan	9,241,845	1,848,354	924,165	462,067	307,983
Reserved for issuance under warrants	2,711,544	542,304	271,150	135,573	90,380
Reserved for issuance under Series B	6,223,822	1,244,739	622,345	311,148	207,423
Reserved for issuance under Series C	1,365,200	273,040	136,520	68,260	45,506
Reserved for issuance under Series D	3,652,250	730,450	365,225	182,612	121,741
Reserved for issuance under Series E	3,073,163	614,632	307,316	153,657	102,438
Reserved for issuance under Series F	1,184,803	236,960	118,480	59,240	39,493

If the Reverse Stock Split is implemented, the Amendment will not reduce the number of shares of our Common Stock or Preferred Stock authorized under our Restated Certificate of Incorporation.

Our Common Stock is currently registered under Section 12(b) of the Securities Exchange Act of 1934, as amended, and we are subject to the periodic reporting and other requirements thereof. Following the effective time of the Reverse Stock Split, we will continue to be subject to these periodic reporting and other requirements.

Fractional Shares

Stockholders will not receive fractional shares in connection with the Reverse Stock Split. Instead, stockholders otherwise entitled to fractional shares will receive a cash payment in lieu thereof in an amount equal to the average closing sales price of our common stock as reported on the NYSE Amex for the four trading days preceding the effective date of the Reverse Stock Split multiplied by the amount of fractional shares you hold. Stockholders will not be entitled to receive interest for the period of time between the effective date of the Reverse Stock Split and the date the stockholder receives his or her cash payment. The proceeds will be subject to certain taxes as discussed below.

Stockholders holding fewer than the chosen Exchange Ratio will receive only cash in lieu of fractional shares and will no longer hold any shares of our Common Stock as of the effective time of the Amendment. For example, if the Board of Directors effected a one-for-twenty split, and you held nineteen shares of our Common Stock immediately prior to the effective date of the Amendment, you will no longer hold any shares of our Common Stock and you will receive only the cash for the value of the nineteen shares of our Common Stock you held immediately prior to the effective date of the Amendment. Assuming the same one-for-twenty Reverse Stock Split, if you held twenty-three shares of our Common Stock immediately prior to the effective date of the Amendment, you would receive one new share of our Common Stock and cash in lieu of fractional shares for the three shares of our Common Stock that you held immediately prior to the effective date of the Amendment.

Effective Time and Implementation of the Reverse Stock Split

The effective time for the Reverse Stock Split will be the date on which we file the Amendment with the office of the Secretary of State of the State of Delaware or such later date and time as specified in the Amendment, provided that the effective date must precede the date of the 2010 Annual Meeting of Stockholders.

As soon as practicable after the filing of the Amendment, we intend to notify stockholders and request that they surrender to our transfer agent their certificates representing shares of pre-reverse split iParty Common Stock, so that certificates representing the applicable number of shares of post-reverse split common stock, together with any cash payment in lieu of fractional shares, may be issued in exchange therefor. We expect to adopt a new stock certificate in connection with any implementation of the Reverse Stock Split.

STOCKHOLDERS SHOULD NOT DESTROY ANY STOCK CERTIFICATE(S) AND SHOULD NOT SUBMIT ANY STOCK CERTIFICATE(S) UNTIL REQUESTED TO DO SO.

Accounting Matters

The Reverse Stock Split will not affect the par value of a share of our Common Stock. However, at the effective time of the Reverse Stock Split, the stated capital attributable to common stock on our balance sheet will be reduced proportionately based on the Exchange Ratio (including a retroactive adjustment of prior periods), and the additional paid-in capital account will be credited with the amount by which the stated capital is reduced. Reported per share net income or loss would be expected to be proportionally higher because there will be fewer shares of our Common Stock outstanding.

No Appraisal Rights

Under the Delaware General Corporation Law, our stockholders are not entitled to appraisal rights with respect to the Reverse Stock Split.

Certain Risks Associated with the Reverse Stock Split

Before voting on this Proposal No. 3, you should consider the following risks associated with the implementation of the Reverse Stock Split:

- The price per share of our Common Stock after the Reverse Stock Split may not reflect the Exchange Ratio implemented by the Board of Directors and the price per share following the effective time of the Reverse Stock Split may not be maintained for any period of time following the Reverse Stock Split. For example, based on the closing price of our Common Stock on April 6, 2009 of \$0.09 per share, if the Reverse Stock Split was implemented at an Exchange Ratio of 1-for-20, there can be no assurance that the post-split trading price of our Common Stock would be \$1.80, or even that it would remain above the pre-split trading price. Accordingly, the total market capitalization of our Common Stock following a Reverse Stock Split may be lower than before the Reverse Stock Split.
- Following the Reverse Stock Split, we may still run the risk of being considered a low priced stock under the listing standards of the NYSE Amex, which could cause the Company to be delisted.
- Effecting the Reverse Stock Split may not attract institutional or other potential investors, or result in a sustained market price that is high enough to overcome the investor policies and practices, and other issues relating to investing in lower priced stock described in **Purpose of the Reverse Stock Split** above.
- The trading liquidity of our Common Stock could be adversely affected by the reduced number of shares outstanding after the Reverse Stock Split.

If a Reverse Stock Split is implemented by the Board, some stockholders may consequently own less than 100 shares of our Common Stock. A purchase or sale of less than 100 shares (an **odd lot** transaction) may result in incrementally higher trading costs through certain brokers, particularly full service brokers. Therefore, those stockholders who own fewer than 100 shares following the Reverse Stock Split may be required to pay higher transaction costs if they should then determine to sell their shares of iParty common stock.

Federal Income Tax Consequences of the Reverse Stock Split

A summary of the federal income tax consequences of the proposed Reverse Stock Split to individual stockholders is set forth below. It is based upon present federal income tax law, which is subject to change, possibly with retroactive effect. The discussion is not intended to be, nor should it be relied on as, a comprehensive analysis of the tax issues arising from or relating to the proposed Reverse Stock Split. In addition, we have not requested and will not seek an opinion of counsel or a ruling from the Internal Revenue Service regarding the federal income tax consequences of the proposed Reverse Stock Split. Accordingly, stockholders are advised to consult their own tax advisors for more detailed information regarding the effects of the proposed Reverse Stock Split on them under applicable federal, state, local and foreign income tax laws.

- We believe that the Reverse Stock Split will be a tax-free recapitalization for federal income tax purposes. Accordingly, except with respect to any cash received in lieu of fractional shares, a stockholder will not recognize any gain or loss as a result of the receipt of the post-reverse split common stock pursuant to the Reverse Stock Split.
- The shares of post-reverse split common stock in the hands of a stockholder will have an aggregate basis for computing gain or loss equal to the aggregate basis of the shares of pre-reverse split common stock held by that stockholder immediately prior to the Reverse Stock Split, reduced by the basis allocable to any fractional shares which the stockholder is treated as having sold for cash, as discussed in the fifth bullet below.
- A stockholder's holding period for the post-reverse split common stock will include the holding period of the pre-reverse split common stock exchanged.
- Stockholders who receive cash for all of their holdings (as a result of owning fewer than the number in the Exchange Ratio selected by the Board of Directors) and who are not related to any person or entity that holds our Common Stock immediately after the Reverse Stock Split, will recognize a gain or loss for federal income tax purposes equal to the difference between the cash received and their basis in the

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pre-reverse split common stock. Such gain or loss will generally be a capital gain or loss if the stock was held as a capital asset, and such capital gain or loss will be a long-term gain or loss to the extent that the stockholder's holding period exceeds 12 months.

- Although the tax consequences to stockholders who receive cash for fractional shares are not entirely certain, these stockholders likely will be treated for federal income tax purposes as having sold their fractional shares and will recognize gain or loss in an amount equal to the difference between the cash received and the portion of their basis for the pre-reverse split common stock that is allocated to the

fractional shares. It is possible that such stockholders will be treated as receiving dividend income to the extent of their ratable share of our current and accumulated earnings and profits (if any) and then a tax-free return of capital to the extent of their aggregate adjusted tax basis in their iParty shares, with any remaining amount of cash received being treated as capital gain.

- Stockholders who receive cash will be required to provide their social security or other taxpayer identification numbers (or, in some instances, additional information) in connection with the Reverse Stock Split to avoid backup withholding requirements that might otherwise apply. Failure to provide such information may result in backup withholding at a rate of 28%.

Recommendation of the Board of Directors

The Board of Directors recommends that you vote **FOR** the Amendment to our Restated Certificate of Incorporation to effect the Reverse Stock Split in accordance with this Proposal No. 3. Unless you specify otherwise, the Board intends the accompanying proxy to be voted for this Proposal No. 3.

PROPOSAL NO. 4

TO APPROVE A ONE TIME OPTION REPRICING / EXCHANGE

**FOR CERTAIN OPTIONS GRANTED UNDER IPARTY S AMENDED AND RESTATED 1998 INCENTIVE AND NONQUALIFIED
OPTION PLAN**

Overview

Our Board of Directors has approved, and recommended that our stockholders approv