

IPARTY CORP  
Form DEF 14A  
April 28, 2008

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

## SCHEDULE 14A

(Rule 14a-101)

## SCHEDULE 14A INFORMATION

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:
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- (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 2008 Annual Meeting of Stockholders of iParty Corp. will be held as follows:

**Date:** Wednesday, June 4, 2008

**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. Amendments to the Certificate of the Designations, Powers, Preferences and Rights of the Series B convertible preferred stock ( **Certificate of Designations-Series B** ) to change the requisite number of shares or holders necessary to amend or waive certain provisions therein;
3. Ratification of the selection of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 27, 2008; and
4. 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 14, 2008 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 each class of stock entitled to vote at the meeting 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 June 4, 2008. Enclosed with the proxy statement for the meeting, you will find a copy

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of our Annual Report on Form 10-K for fiscal 2007.

**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 30, 2008.*

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TABLE OF CONTENTS

<u>General Information</u>	3
<u>Questions and Answers about the Meeting and Voting</u>	3
<u>Items to be Acted on at the Meeting</u>	9
<u>Ownership of iParty Stock</u>	13
<u>Board of Directors and Corporate Governance Matters</u>	15
<u>Audit Committee Report</u>	19
<u>Director Compensation</u>	20
<u>Executive Compensation</u>	22
<u>Summary Compensation Table</u>	23
<u>Independent Registered Accounting Firm's Fees and Services</u>	28
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	29
<u>Other Matters</u>	29

**iParty Corp.**  
**270 Bridge Street, Suite 301**  
**Dedham, MA 02026**

**PROXY STATEMENT**  
**for Annual Meeting of Stockholders to Be Held on June 4, 2008**

**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, 33<sup>rd</sup> Floor, 800 Boylston Street, Boston MA, 02199, on June 4, 2008, 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 30, 2008.

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 14, 2008, 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 2008 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 14, 2008, which is the record date for the annual

meeting. Shares representing a total of 37,660,753 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 14, 2008, 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 14, 2008, there were 22,717,400 votes eligible to vote at the meeting associated with 22,717,400 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 14, 2008, the number of votes eligible to vote at the meeting were 6,033,833 votes associated with 464,151 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 14, 2008, 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 Designations 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 Designations, 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 14, 2008, 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, in addition to counting the votes previously described, each holder of Series B Preferred Stock, regardless of the number of shares of Series B Preferred Stock owned of record or beneficially, is also permitted one vote per holder when counting the number of holders.

**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.

**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 amendments to the Certificate of Designations-Series B to change the requisite number of shares or holders necessary to amend or waive certain provisions therein; and

**FOR** the ratification of the selection of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 27, 2008.

**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 and Secretary, 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 various series of 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 all outstanding shares of each class of stock entitled to vote at the annual meeting 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 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 amendments to the Certificate of Designations-Series B.

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 most 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.

The proposal to amend Section 4(c) and Section 7(c) of the Certificate of Designations-Series B will require: (i) 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, (ii) the affirmative vote of a majority of the outstanding shares of Series B Preferred Stock entitled to vote on the matter, voting separately as a single class, and (iii) the affirmative vote of a majority in number of the holders of the Series B Preferred Stock entitled to vote on the matter, voting separately as a class, in the case of Section 4(c) and the affirmative vote of one-half in number of the holders of the Series B Preferred Stock entitled to vote on the matter, voting separately as a class, in the case of Section 7(c).

The proposal to ratify the selection of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 27, 2008 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 amendments to the Certificate of Designations-Series B. Neither abstentions nor broker non-votes, if any, will have an effect on the voting of 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 matter involving the amendments to the Certificate of Designations-Series B; 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 27, 2008.

**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 2008, which we expect to file with the Securities and Exchange Commission ( **SEC** ) in August 2008. 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](http://www.iparty.com) and on the SEC's website, [www.sec.gov](http://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 30, 2008, 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

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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. The deadline for proposals to be presented at the 2009 Annual Meeting of Stockholders is March 14, 2009.

**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](http://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](mailto: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 [frankhaydu@yahoo.com](mailto:frankhaydu@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?** At last year's annual meeting, six of our then seven directors were present in person. All six of our current directors were present in person at last year's 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 American Stock Exchange, 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](http://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](http://www.iparty.com).

**Is the code of conduct publicly available?** Yes. Our code of business conduct and ethics is available on the Investor Relations page on our licensed website at [www.iparty.com](http://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 filings. To view the by-laws, the Board committee charters, corporate governance guidelines, or code of business conduct and ethics, go to [www.iparty.com](http://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](http://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 Certificate of Incorporation, by-laws, 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 29, 2007 is enclosed with this proxy statement. Stockholders may request another free copy of our proxy statement and our 2007 Annual Report on Form 10-K 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 2007 is also available on the Investor Relations page of our licensed website at [www.iparty.com](http://www.iparty.com) and the SEC's website at [www.sec.gov](http://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](http://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.

**ITEMS TO BE ACTED ON AT THE MEETING**

**Proposal 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 Preferred Stock 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 2008 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 15 through 17 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 2.** Proposal to amend the Certificate of Designations-Series B to change the requisite number of shares or holders necessary to amend or waive certain provisions therein

**Our Board of Directors has approved and declared advisable the amendments to Section 4(c) and Section 7(c) of the Certificate of Designations-Series B that:**

- Changes the waiver threshold in section 4(c) from the affirmative vote of a *majority in number* of the holders of the then outstanding shares of Series B Preferred Stock to the affirmative vote of the *holders of a majority* of the then outstanding shares of Series B Preferred Stock (Section 4(c));
- Changes the approval threshold in section 7(c) from the consent of *one-half in number* of the holders of the then outstanding shares of Series B Preferred Stock to the consent of the *holders of a majority* of the then outstanding shares of Series B Preferred Stock in the event that a vote is required due to an action that repeals, amends, or otherwise changes the Certificate of Designation or Certificate of Incorporation in a manner that

would adversely alter or change the powers, preferences, rights, privileges, and restrictions of the Series B Preferred Stock (Section 7(c)); and

- Adds the ability of the *holders of a majority* of the then outstanding shares of Series B Preferred Stock to waive any of the rights, preferences, designations, or restrictions contained in the Series B Preferred Stock (Section 7(c)).

The full text of the proposed resolutions is contained in the proposed Certificate of Amendment to the Restated Certificate of Incorporation, which is attached to this proxy statement as [Appendix A](#) and incorporated herein by reference.

**Summary of Rights of Series B Preferred Stock.** As set forth more fully in the Certificate of Designations - Series B, which is included as an exhibit to our annual report on Form 10-K for the fiscal year ended December 29, 2007, the holders of the Series B Preferred Stock have certain defined rights and preferences. These rights and preferences include: (i) a liquidation preference senior to the holders of our common stock, as more fully described under *Voting on Liquidation Events*, (ii) an anti-dilution provision that protects the holders in the event we issue common stock or certain rights including option grants in excess of certain defined amounts, to purchase or convert into common stock, at a price below the then existing conversion price, (iii) the right to participate in dividends, when and if declared by the Board of Directors, and (iv) certain defined voting rights, which include the right to vote together with the common stock as one class on all matters to which the common stock is entitled to vote and a separate class vote as described below under *Current Voting Standards of the Series B Preferred Stock*. With respect to the right to participate in dividends noted above, as of April 14, 2008, the Company has never paid a cash dividend on its common stock.

**Current Voting Standards of the Series B Preferred Stock.** Except as otherwise required by Delaware General Corporation Law, the Series B Preferred Stock is entitled to vote together with the common stock and all of the other outstanding classes of Convertible Preferred Stock on all matters to which the common stock is entitled to vote. In addition, in certain circumstances, the holders of the Series B Preferred Stock have a separate class vote. Except as otherwise required by Delaware General Corporation Law, the holders of shares of the Series B Preferred Stock vote as a separate class in the following circumstances:

- 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 Series B Preferred Stock; and
- An action that repeals, amends, or otherwise changes the Certificate of Designations - Series B or Certificate of Incorporation in a manner that would alter or change the powers, preferences, rights, privileges, restrictions and conditions of the Series B Preferred Stock to adversely affect such class.

The Series B Preferred Stock has four distinct approval standards. Depending on the matter to be acted on or waived, the necessary approval may require either: (i) the vote of a *majority in number* of the holders of the Series B Preferred Stock entitled to vote on the matter, (ii) the vote of *one-half in number* of the holders of the Series B Preferred Stock entitled to vote on the matter, (iii) the vote of the *holders of one-half* of the outstanding shares of the Series B Preferred Stock entitled to vote on the matter or (iv) the vote of *holders of a majority* of the outstanding shares of Series B Preferred Stock entitled to vote on the matter. In addition, under Delaware General Corporation Law, the holders of the Series B Preferred Stock are entitled to vote as a class upon an amendment to the Certificate of Incorporation if the amendment, among other specified actions, would alter or change the powers, preferences, or special rights of the shares of such class that affects them adversely. In this case, the minimum required vote under Delaware Law is a majority of the

**outstanding shares of the Series B Preferred Stock. Thus, in addition to the standards noted above, Delaware General Corporation Law may require us to count the votes in two ways with respect to a proposed amendment before determining that a matter has been approved or defeated: first, count the number of stockholders voting, and second, count the number of votes cast on the matter.**

***Reasons for the Amendments.*** The proposed amendments to the Series B Preferred Stock seek to make consistent the necessary vote or consent among the various approval provisions contained in the Series B Preferred Stock by having one standard that follows the Delaware General Corporation Law standard for separate class voting on amendments, and makes the approval provisions of the Series B Preferred Stock more similar to the other outstanding series of Convertible Preferred Stock. By removing the provision requiring the Company to count stockholders rather than shares and making the approval standard essentially consistent throughout the terms of the Series B Preferred Stock, we believe that the approval of the amendments will have the following benefits:

- It will be easier to determine whether a particular vote is achievable;
- The approval provisions will be consistent and more understandable for our stockholders;
- The approval provisions will be consistent with the traditional concepts of majority voting and the minimum statutory requirements contained in the Delaware General Corporation law; and
- The Series B Preferred Stock approval power will be allocated according to the stockholder's relative economic stake in the Company rather than the arbitrary number of owners.

**The Board is proposing to amend the voting provisions of only the Series B Preferred Stock. The voting provisions in the other series of preferred stock: 1) follow more closely the minimum statutory requirement of the Delaware General Corporation Law and 2) since they only have one or two stockholders, do not present the same issue in class voting as the Series B Preferred Stock. For those reasons, the Board is not proposing an amendment to the voting provisions of the other series of Convertible Preferred Stock.**

**We are not now considering any corporate action that would trigger one or more of the various special voting provisions of the Series B Preferred Stock or other series of Convertible Preferred Stock; however, we may be faced with such a vote in the future, and thus, we believe that, for the reasons expressed above, it is advisable to amend the voting terms of the Series B Preferred Stock at this time.**

***Voting on Liquidation Events.*** Under Section 4 of the Certificate of Designations-Series B, a liquidation, dissolution or winding up of iParty is considered a liquidation event. In the event of a liquidation event, a holder of shares of Series B Preferred Stock is entitled to receive a liquidation preference equal to \$20 per share, equivalent to approximately \$1.49 per common share on an as converted basis, or approximately \$9.3 million in the aggregate at December 29, 2007. The liquidation preferences are payable to the holders of shares of Series B Preferred Stock *pari passu* and pro rata with the other outstanding shares of series of Convertible Preferred Stock and prior to any distribution to common stock.

**The Certificate of Designations-Series B deems a merger, consolidation, or sale of substantially all of our assets of the Company a liquidation event if the holders of shares of Series B Preferred Stock do not receive securities in the surviving corporation that have substantially similar rights as the Series B Preferred Stock. The terms of the Certificate of Designations-Series B allow the majority in number of holders to waive this deemed liquidation event.**

**We believe that the affirmative consent of a majority in number of the holders to effect a waiver of the deemed liquidation event is not typical. Usually, the approval of the holders of a majority of the outstanding shares of Series B Preferred Stock would be used to effect the waiver. As of April 14, 2008, there were 100 holders of shares of Series B Preferred Stock. To obtain the necessary approval to effect a waiver of a deemed liquidation event, we would need to obtain the consent of 51 individual holders and these 51 holders might not represent a majority of the outstanding shares of the Series B Preferred Stock.**

***Specific Class Vote and Waiver Provision.*** The proposed amendments also contain an amendment to Section 7(c) making it more consistent with the minimum statutory requirements of Delaware General Corporation Law and adds a provision allowing the holders of shares of Series B Preferred Stock to waive any of the rights, powers, preferences and other terms of the Series B Preferred Stock set forth in the Certificate of Designations-Series B, or otherwise in the Restated Certificate of Incorporation on behalf of all holders of shares Series B Preferred Stock. As proposed, the waiver would require the affirmative written consent or vote of the holders of at least a majority of the shares of Series B Preferred Stock then outstanding. Absent the waiver provision, the Board might need to amend the Certificate of Designations-Series B to achieve the same results. An amendment is potentially a more costly and time-consuming process. We believe that the waiver would allow us more flexibility and certainty in acting on or responding to certain corporate actions, including an acquisition or a financing, which might trigger the anti-dilution provisions or liquidation provision in the Series B Preferred Stocks.

***Potential Effects of the Amendment on Voting Concentrations.*** If the proposed amendments are approved, as of April 14, 2008, we could obtain the same waiver or vote with the approval of as few as two or more holders rather than the 51 holders currently required under Section 4(c), and the 50 holders currently required under Section 7(c). Additionally, we would have holders representing a majority of the outstanding shares of Series B Preferred Stock, which may not have been the case under the previous standard. As of April 14, 2008, there were 465,151 outstanding shares of Series B Preferred Stock. Based on the Company's stockholder records as of April 14, 2008, Mr. Lessin, who beneficially owns 125,000 shares of Series B Preferred Stock, or approximately 27% of the outstanding shares of Series B Preferred Stock, and Roccia Partners, L.P., who beneficially owns 179,610 shares of Series B Preferred Stock, or approximately 39% of the outstanding shares of Series B Preferred



**Stock, acting together or separately with a number of holders, could approve or defeat a matter. Given the current ownership of the shares of Series B Preferred Stock, no one owner before the proposed amendments or, if approved, after the proposed amendments could approve or defeat a matter acting alone.** See Ownership of iParty Stock for a discussion of Mr. Lessin's and Roccia Partners, L.P.'s stock holdings in the Company.

**Approval Required and Recommendation.** The proposal to amend Section 4(c) and Section 7(c) of the Certificate of Designations-Series B will require: (i) 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, (ii) the affirmative vote of a majority of the outstanding shares of Series B Preferred Stock entitled to vote on the matter, voting separately as a single class, and (iii) the affirmative vote of a majority in number of the holders of the Series B Preferred Stock entitled to vote on the matter, voting separately as a class, in the case of Section 4(c) and the affirmative vote of one-half in number of the holders of the Series B Preferred Stock entitled to vote on the matter, voting separately as a class, in the case of Section 7(c).

**The Board of Directors recommends that you vote FOR** approval of the amendments to Section 4(c) and Section 7(c) of the Certificate of Designations-Series B.

Unless you specify otherwise, the Board intends the accompanying proxy to be voted for this proposal.

**Proposal 3. Proposal to Ratify the Selection of Independent Registered Public Accounting Firm.**

Our Audit Committee has selected the independent registered public accounting firm of Ernst & Young LLP ( **E&Y** ) to examine and audit our financial statements for the year ending December 27, 2008. A resolution to ratify this selection will be presented at the meeting.

Stockholder ratification of the selection of E&Y is not required. Although not required to do so, the Board is submitting the selection of E&Y for ratification by iParty's stockholders for their views. However, if the stockholders do not ratify the selection, the Audit Committee will take that into account in future deliberations. The Audit Committee will retain the ultimate discretion to appoint or terminate the appointment of our independent registered public accounting firm, irrespective of the outcome of this proposal.

E&Y audited and reported upon our financial statements for fiscal 2007. In connection with that audit, E&Y also reviewed our Annual Report on Form 10-K for the fiscal year ended December 29, 2007, quarterly financial statements for the fiscal quarters ended March 31, 2007, June 30, 2007 and September 29, 2007, and our filings with the SEC, and consulted with management as to the financial statement implications of matters under consideration.

We expect that one or more representatives of E&Y will be present at the annual meeting. They will be afforded an opportunity to make a statement at the annual meeting if they desire to do so and to respond to appropriate questions by stockholders.

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E&Y has advised us that it has no direct, nor any indirect, financial interest in iParty or any of its subsidiaries.

The proposal to ratify the selection of E&Y as our independent registered public accounting firm for fiscal 2008 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 Board recommends that you vote **FOR** the proposal to ratify the selection of Ernst & Young LLP.

Unless you specify otherwise, the Board intends the accompanying proxy to be voted for this proposal.

Information about the fees and services we paid to E&Y in 2006 and 2007 is contained on page 28 of this proxy statement.

## OWNERSHIP OF iPARTY STOCK

The following table shows the number of shares of our common stock beneficially owned as of April 14, 2008 by:

- each person or entity that we believe beneficially owns more than 5% of our common stock,
- each director and nominee for director,
- each person shown in the summary compensation table on page 23 below, and
- all executive officers and directors as a group.

Name of Beneficial Owner (1)	Number of Common Shares Beneficially Owned (2)		Percent of Class	
<i>5% Stockholders</i>				
Robert H. Lessin Jefferies & Co. 520 Madison Ave., 12 <sup>th</sup> Floor New York, NY 10022	11,086,521	(3)	35.4%	
Roccia Partners, L.P. c/o Lorenzo Roccia 220 East 67 <sup>th</sup> Street New York, NY 10021	3,080,926	(4)	12.1%	
Naida S. Wharton c/o Sandra Minardo 520 Madison Ave., 12 <sup>th</sup> Floor New York, NY 10022	2,474,100	(5)	10.9%	
Highbridge International LLC c/o Eleazer N. Klein Schulte Roth & Zabel LLP 919 Third Avenue New York, NY 10022	2,083,334	(6)	8.4%	
Boston Millennia Partners, LP 30 Rowes Wharf, Suite 500 Boston, MA 02110	1,365,200	(7)	5.7%	

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Patriot Capital Limited c/o Stephen Rasch Loeb, Block and Partners LLP 505 Park Avenue New York, NY 10022		1,184,803	(8)	5.0%
<i>Directors, Nominees for Director, and Executive Officers</i>				
Sal V. Perisano		4,597,958	(9)	17.0%
Patrick Farrell		1,014,587	(10)	4.3%
Dorice P. Dionne		4,597,958	(11)	17.0%
David Robertson		31,250	(12)	0.1%
Daniel I. De Wolf		495,000	(13)	2.1%
Joseph S. Vassalluzzo		405,000	(14)	1.8%
Frank W. Haydu III		260,000	(15)	1.1%
Eric Schindler		235,000	(16)	1.0%
Robert W. Jevon, Jr. Boston Millennia Partners, LP 30 Rowes Wharf, Suite 500 Boston, MA 02110		75,000	(17)	0.3%
All executive officers and directors as a group (8 persons)		6,099,208		21.4%

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1. Unless otherwise indicated, all addresses are c/o iParty Corp., 270 Bridge Street, Suite 301, Dedham, MA 02026.

2. The number of shares beneficially owned by each entity, person, director or named executive officer is determined under SEC rules, particularly Rule 13d-3, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, each entity or individual is considered the beneficial owner of any shares as to which they have the sole or shared voting power or investment power. Such persons and entities are also deemed under the same rules to beneficially own any shares that they have the right to acquire within sixty (60) days of April 14, 2008 (i.e., June 13, 2008) through the conversion of convertible preferred stock, the exercise of stock options or warrants or other similar rights. This stock ownership information is based upon information furnished to us by the persons named in the table. The percentage of class is calculated in accordance with Rule 13d-3 and is based on 22,717,400 shares outstanding as of April 14, 2008 plus, as to each holder thereof and no other person, the number of shares (if any) that the person has the right to acquire on or prior to June 13, 2008, through the exercise of stock options or warrants or other similar rights.

3. Mr. Lessin beneficially owns (1) 2,474,100 shares of common stock, (2) 250,000 shares of common stock that may be acquired upon the exercise of presently exercisable options, (3) 273,268 shares of common stock that may be acquired upon the exercise of presently exercisable warrants, (4) 1,674,500 shares of common stock that may be acquired upon the conversion of 125,000 shares of presently convertible Series B Preferred Stock, (5) 3,652,250 shares of common stock which may be acquired upon the conversion of 250,000 shares of presently convertible Series D Preferred Stock which constitutes all of the outstanding Series D Preferred Stock, and (6) 2,762,403 shares of common stock which may be acquired upon the conversion of 266,667 shares of presently convertible Series E Preferred Stock. The figure listed in the table does not include any shares reflected as owned by Ms. Wharton, who was formerly Mr. Lessin's spouse.

4. The figure in the table for Roccia Partners, L.P. includes 2,406,056 shares of common stock, which may be acquired upon the conversion of 179,610 shares of presently convertible Series B Preferred Stock held in the name of Roccia Partners, L.P. The figure also includes (1) 364,100 shares of common stock held in the name of Roccia Venture Partners, L.P. and (2) 310,770 shares of common stock, which may be acquired upon the conversion of 30,000 shares of presently convertible Series E Preferred Stock held in the name of Roccia Venture Partners, L.P.

5. Ms. Wharton beneficially owns 2,474,100 shares of common stock.

6. The figure in the table for Highbridge International LLC includes 2,083,334 shares of common stock, which may be acquired upon the exercise of a presently exercisable warrant.

7. The figure in the table for Boston Millennia Partners, LP includes 1,365,200 shares of common stock that may be acquired upon the conversion of 100,000 shares of presently convertible Series C Preferred Stock owned by Boston Millennia Partners, LP and an affiliated entity, which constitutes all of the outstanding Series C Preferred Stock. The figure in the table does not include any of the shares beneficially owned by Mr. Jevon described in footnote (17) below.

8. The figure in the table for Patriot Capital Limited includes 1,184,803 shares of common stock, which may be acquired upon the conversion of 114,286 shares of presently convertible Series F Preferred Stock, which constitutes all of the outstanding Series F Preferred Stock.

9. Mr. Perisano owns 204,700 shares and holds options for 4,393,258 shares, which are presently exercisable. The figure in the table includes options for 2,779,645 shares granted to Mr. Perisano and options for 1,613,613 granted to Mr. Perisano's wife, Ms. Dionne. The figure in the table includes 204,700 shares of common stock held jointly by Mr. Perisano and Ms. Dionne.

10. Mr. Farrell owns 44,500 shares and holds options for 970,087 shares, which are presently exercisable.

11. Ms. Dionne owns 204,700 shares and holds options for 4,393,258 shares, which are presently exercisable. The figure in the table includes options for 2,779,645 shares granted in the name of Ms. Dionne's husband, Mr. Perisano, and options for 1,613,613 shares granted to Ms. Dionne. The figure in the table includes 204,700 shares of common stock held jointly by Mr. Perisano and Ms. Dionne.

12. Mr. Robertson holds options for 125,000 shares, of which 31,250 are presently exercisable or will be exercisable within 60 days of April 14, 2008.

13. Mr. De Wolf beneficially owns 10,000 shares of common stock and holds options for 485,000 shares, which are presently exercisable or will be exercisable within 60 days of April 14, 2008. The owner of record of the 10,000 shares of common stock is Pine Street Ventures LLC, a Delaware limited liability company. The beneficial owners of Pine Street Ventures are Mr. De Wolf's children. Mr. De Wolf controls sole voting power.

14. Mr. Vassalluzzo beneficially owns 140,000 shares of common stock and holds options for 265,000 shares, which are presently exercisable or will be exercisable within 60 days of April 14, 2008.

15. Mr. Haydu beneficially owns 25,000 shares of common stock and holds options for 235,000 shares, which are presently exercisable or will be exercisable within 60 days of April 14, 2008.

16. Mr. Schindler beneficially holds options for 235,000 shares, which are presently exercisable or will be exercisable within 60 days of April 14, 2008.

17. Mr. Jevon beneficially owns 75,000 shares of common stock that may be acquired upon the exercise of presently exercisable options. Mr. Jevon is employed by Boston Millenia Partners, LP. Mr. Jevon has been awarded stock options, which are presently exercisable, to purchase 75,000 shares of common stock, for serving from February 2000 to June 2001 as director by appointment of Boston Millenia Partners, LP. The figure for Mr. Jevon does not include any of the shares described in footnote (7) above with respect to Boston Millenia Partners, LP.

#### **BOARD OF DIRECTORS AND CORPORATE GOVERNANCE MATTERS**

The following table sets forth the name and age of each of our directors, his or her position with us, and the period during which he has served as a director. Each of our currently serving directors is a nominee for reelection as a director at the meeting.

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Name	Age	Position	Director Since
Sal V. Perisano	57	Chairman of the Board, Chief Executive Officer	1998
Daniel I. De Wolf	51	Director	2003
Frank W. Haydu III	60	Director	2003
Eric Schindler	47	Director	2003
Joseph S. Vassalluzzo	60	Director	2004
<b>Series C Director</b>			
(Elected only by holders of Series C Preferred Stock)			
Robert W. Jevon, Jr.	55	Series C Director	2006

*Sal V. Perisano*, age 57, has served as a director of iParty since 1998 and its Chief Executive Officer since 1999. Mr. Perisano served as Chairman of the Board and President of The Big Party Corporation from 1992 to 1998, and continued serving as a director until 2000. In 1981, he co-founded Videosmith, which became a leading video retailer in the Boston area. In 1989, Videosmith was sold to a publicly traded company called Xtravision

PLC, which owned 250 stores throughout the U.K. and Ireland. Mr. Perisano stayed on as a director and was later named Chief Executive Officer of the parent company, which was subsequently acquired by Blockbuster Video. Mr. Perisano holds a bachelor's degree from Boston College and a master's degree from Harvard University. Mr. Perisano is married to Ms. Dorice Dionne, who is employed by iParty as its Senior Vice President, Merchandising and Marketing.

*Daniel I. De Wolf*, age 51, has served as a director of iParty since 2003. Mr. De Wolf is a member of the corporate practice in the New York office and Co-Chair of the Ventures and Emerging Company Group of the law firm of Mintz, Levin, Cohen, Ferris, Glovsky, and Popeo PC. Prior to joining Mintz Levin, he was the President of the Dawntreader Group and a Managing Director of Dawntreader Ventures, an early stage venture capital firm. Mr. De Wolf is also an adjunct professor at the New York University Law School, where he teaches venture capital law. From 1999 to 2003, Mr. De Wolf was Director of Venture Capital Funds for SoundView Technology Group. Prior to joining SoundView, Mr. De Wolf was Of Counsel with the law firm of Cahmy, Karlinsky & Stein LLP (CKS) in New York City. Mr. De Wolf established the Corporate and Securities Practice Group at CKS in 1994 and was the head of that firm's New Media and E-Law Group. Mr. De Wolf has over 25 years of corporate transactional experience and has been an advisor to many early and developmental stage companies. Mr. De Wolf is a graduate of the University of Pennsylvania as well as the University of Pennsylvania School of Law. Mr. De Wolf currently serves as a director of various privately-held companies, including, HNW, Inc., Tutor.com, and Visible World.

*Frank W. Haydu III*, age 60, has served as a director of iParty and Chairman of our Audit Committee since November 2003. Since November 2001, Mr. Haydu has served as a Managing Director of Valuation Perspectives, Inc., a financial services consulting practice and since August 2005, has served in a consulting capacity at Source Precision Medicine, a life sciences medical supplier. Until May 2001, Mr. Haydu served as the Chairman of Haydu & Lind, LLC, a senior living development company. Mr. Haydu also serves as a director of CombinatoRx, Inc., Moldflow Corporation and several private companies. Mr. Haydu holds a Bachelor of Arts degree in economics from Muhlenberg College.

*Eric Schindler*, age 47, has served as a director of iParty since 2003. Mr. Schindler serves as CEO of ESSA, a medical aesthetics group in Argentina since 2007. Before 2007, Mr. Schindler headed the investment banking division at Calyon Securities (USA) Inc., which was formerly known as Crédit Lyonnais Securities (USA) Inc. Before joining Crédit Lyonnais Securities in 1995, Mr. Schindler was employed by Crédit Lyonnais La Défense in France, and was responsible for a team of senior bankers for the bank's global relationships with multinational corporations in the infrastructure, engineering, telecommunications, transportation, auto parts, and information systems sectors. Prior to this position, from 1989 to 1992, Mr. Schindler was a Vice President responsible for Latin American debt restructurings and debt/equity swaps. He also headed the investment banking activities at Crédit Lyonnais Argentina from 1987 to 1989. Mr. Schindler is a former director of Crédit Lyonnais Securities in New York and Crédit Lyonnais in Brazil. Mr. Schindler has a National Public Accountant degree from Universidad Católica Argentina and a B.A. in two languages with a specialization in Economic Sciences from Académie de Poitiers.

*Joseph S. Vassalluzzo*, age 60, has served as a director of iParty since 2004. From 2000 to 2005, Mr. Vassalluzzo served as Vice Chairman of Staples, Inc., in which capacity he was responsible for Staples' store growth, both domestic and abroad, oversaw Staples' corporate environmental initiatives, and was responsible for its merger and acquisition activities worldwide. He first joined Staples, Inc. in 1989 as its Executive Vice President, Growth & Support Services. He was named Executive Vice President, Global Growth and Development of Staples, Inc. in 1993, was promoted to President, Staples Realty & Development in 1997, and was further promoted to Vice Chairman of Staples, Inc. in 2000. Before joining Staples, Mr. Vassalluzzo held executive positions at American Stores Co., Acme Supermarkets, Mobil Corp. and Amerada Hess Corp. Mr. Vassalluzzo currently serves as an independent director and non-executive Chairman of the Board of Federal Realty Investment Trust, a publicly-held REIT, as an independent director of Life Time Fitness, Inc., as an independent director of Commerce Bancorp., Inc., and as a director of Zoots, Inc., a privately-held dry cleaning chain, and Olly Shoes, Inc., a privately held children's shoe chain. Mr. Vassalluzzo holds a B.S. degree in Marketing from Pennsylvania State University and an M.B.A. from Temple University.

*Robert W. Jevon, Jr.*, age 55, has served as a director of iParty since 2006 and previously served as a director of iParty from 2000 to 2001. Since 2000, Mr. Jevon has served as a Partner of Boston Millennium Partners, LP, a venture capital firm, having first joined the firm in 1997 as a

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Principal. Mr. Jevon s primary investment focus is business services, health care and life sciences. Mr. Jevon currently serves on the Board of Directors of Athenix

Corp., MedAptus, Inc. and PHT Corporation. Prior to his current position, Mr. Jevon was a Venture Affiliate of Boston Capital Ventures from 1995 to 1996 and was a Principal of Watch Hill Corporation from 1993 to 1995. From 1989 to 1992, he was the Controller of Bolt Beranek & Newman's Communications Division. He is a graduate of Haverford College and holds an M.B.A. from Amos Tuck School at Dartmouth College.

#### **Director Independence**

Our Board of Directors has determined that each of our director-nominees is an independent director as defined under applicable rules of the SEC and American Stock Exchange, *except for* (1) Mr. Perisano, who serves as our Chief Executive Officer, and (2) Mr. Jevon, who is an employee of Boston Millennia Partners, LP, which beneficially owns all of the outstanding shares of our Series C Preferred Stock, which is entitled to designate the Series C Director. As a result, the Board of Directors has determined that a majority of the director-nominees are independent under applicable rules of the SEC and American Stock Exchange.

#### **Attendance at Annual Meeting and at Meetings of the Board and Its Committees**

Although we do not have a policy on our directors attending our annual meeting, we normally expect each of our directors to be present at the stockholders' meeting. At last year's annual meeting, all of our directors attended the meeting, with the exception of Ms. Vest, who was the Series D Director representative at that time. Our Board held a total of five meetings during 2007. Each director attended 75% or more of all board meetings and committee meetings on which he served during 2007.

#### **Board Committee Matters**

Our Board of Directors met five (5) times during 2007. Our Board of Directors has three principal committees: the Audit Committee, the Compensation Committee, and the Nominating Committee. All of the members of each of these committees are independent directors as defined under applicable American Stock Exchange rules and rules of the SEC, including, in the case of the Audit Committee, the additional independence criteria for determining eligibility for director service on audit committees under applicable American Stock Exchange and SEC rules.

In addition to the principal committees described above, our Board of Directors also has a Real Estate Committee, consisting of Messrs. Perisano and Vassalluzzo, which considers, from time to time, certain store location and store lease issues in conjunction with our senior management.

Our Board of Directors has adopted certain corporate governance guidelines which are available on the Investor Relations page on our licensed website at [www.iparty.com](http://www.iparty.com).

The following charts describe the function and number of times that each committee of the Board of Directors met in 2007 and the membership of each committee:

**Audit Committee 4 Meetings**

	<b>Function</b>	<b>Members</b>
•	Engage the independent registered public accounting firm	Frank W. Haydu III (Chairman)
•	Review the annual and quarterly financial statements	Daniel I. De Wolf
•	Review control procedures and accounting practices	Eric Schindler
•	Monitor accounting and reporting practices	
•	Review compliance with the conflict-of-interest policy	
•	Review our capital structure	
•	Exercise such other functions as mandated by the Sarbanes-Oxley Act and other applicable laws and regulations	

We have a separately - designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. Each member of our Audit Committee is independent as

defined under applicable rules of the SEC and the American Stock Exchange. Our Board of Directors has also determined that each of Messrs. Haydu, De Wolf and Schindler is an audit committee financial expert as defined by applicable regulations promulgated by the SEC pursuant to Section 407 of the Sarbanes-Oxley Act.

The Audit Committee has adopted a charter which is available on the Investor Relations page on our licensed website at [www.iparty.com](http://www.iparty.com). We have also adopted a whistleblower policy which is available on the Investor Relations page on our licensed website at [www.iparty.com](http://www.iparty.com).

See the report of the Audit Committee on page 19 below.

**Compensation Committee 2 Meetings**

<b>Function</b>	<b>&amp;</b>	<b>Members</b>
• Review and approve compensation and benefit programs		