

IPARTY CORP
Form 10-Q
May 09, 2012

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

FORM 10-Q

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

For the Quarterly Period Ended March 31, 2012

OR

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

For the Transition Period from _____ to _____

Commission File Number 1-15611

iPARTY CORP.
(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

76-0547750
(I.R.S. Employer
Identification No.)

270 Bridge Street, Suite 301,
Dedham, Massachusetts
(Address of Principal Executive Offices)

02026
(Zip Code)

(781) 329-3952
(Registrant's Telephone Number, Including Area Code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required

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to submit and post such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if smaller reporting company)

Smaller reporting company

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

As of May 3, 2012, there were 24,418,284 shares of common stock, \$.001 par value, outstanding.

iPARTY CORP.
QUARTERLY REPORT ON FORM 10-Q
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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

iPARTY CORP.
CONSOLIDATED BALANCE SHEETS
(unaudited)

| | Mar 31, 2012 | Dec 31, 2011 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|--------------|
| ASSETS | | |
| Current assets: | | |
| Cash | \$62,450 | \$63,650 |
| Restricted cash | 523,635 | 819,604 |
| Accounts receivable | 707,089 | 1,377,234 |
| Inventories | 16,612,714 | 15,965,507 |
| Prepaid expenses and other assets | 1,510,572 | 1,415,780 |
| Deferred income tax asset | 46,762 | 46,762 |
| Total current assets | 19,463,222 | 19,688,537 |
| Property and equipment, net | 2,603,817 | 2,664,086 |
| Intangible assets, net | 546,765 | 626,900 |
| Other assets | 311,068 | 333,731 |
| Deferred income tax asset | 540,841 | 540,841 |
| Total assets | \$23,465,713 | \$23,854,095 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable and book overdrafts | \$6,707,479 | \$5,970,015 |
| Accrued expenses | 2,133,309 | 2,295,467 |
| Current portion of capital lease obligations | 2,307 | 4,613 |
| Borrowings under line of credit | 5,577,293 | 5,366,512 |
| Total current liabilities | 14,420,388 | 13,636,607 |
| Long-term liabilities: | | |
| Deferred rent | 1,519,158 | 1,504,973 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Convertible preferred stock - \$.001 par value; 10,000,000 shares authorized, | | |
| Series B convertible preferred stock - 1,150,000 shares authorized; 420,408 shares issued and outstanding (aggregate liquidation value of \$8,408,160 at March 31, 2012) | 6,255,671 | 6,255,671 |
| Series C convertible preferred stock - 100,000 shares authorized, issued and outstanding (aggregate liquidation value of \$2,000,000 at March 31, 2012) | 1,492,000 | 1,492,000 |
| Series D convertible preferred stock - 250,000 shares authorized, issued and outstanding (aggregate liquidation value of \$5,000,000 at March 31, 2012) | 3,652,500 | 3,652,500 |
| Series E convertible preferred stock - 533,333 shares authorized; 296,666 shares issued and outstanding (aggregate liquidation value of \$1,112,497 at March 31, 2012) | 1,112,497 | 1,112,497 |
| Series F convertible preferred stock - 114,286 shares authorized, issued and outstanding (aggregate liquidation value of \$500,000 at March 31, 2012) | 500,000 | 500,000 |
| Total convertible preferred stock | 13,012,668 | 13,012,668 |

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| | | |
|----------------------------------------------------------------------------------------------------------|--------------|--------------|
| Common stock - \$.001 par value; 150,000,000 shares authorized; 24,408,594 shares issued and outstanding | 24,409 | 24,409 |
| Additional paid-in capital | 53,036,492 | 52,987,574 |
| Accumulated deficit | (58,547,402) | (57,312,136) |
| Total stockholders' equity | 7,526,167 | 8,712,515 |
| Total liabilities and stockholders' equity | \$23,465,713 | \$23,854,095 |

The accompanying notes are an integral part of these Consolidated Financial Statements.

iPARTY CORP.
 CONSOLIDATED STATEMENTS OF OPERATIONS
 (unaudited)

| | For the three months ended | |
|-------------------------------------------|----------------------------|-----------------|
| | Mar 31, 2012 | Mar 26, 2011 |
| Revenues | \$ 15,753,745 | \$ 15,092,128 |
| Operating costs: | | |
| Cost of products sold and occupancy costs | 10,026,180 | 9,600,871 |
| Marketing and sales | 5,210,909 | 5,136,742 |
| General and administrative | 1,702,376 | 1,786,022 |
| Operating loss | (1,185,720) | (1,431,507) |
| Change in fair value of warrant liability | | |