

IPARTY CORP
Form 10-Q
November 09, 2009

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 September 26, 2009

OR

TRANSITION REPORT PURSUANT 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 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

Edgar Filing: IPARTY CORP - Form 10-Q

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 November 4, 2009, there were 22,731,667 shares of common stock, \$.001 par value, outstanding.

iPARTY CORP.
QUARTERLY REPORT ON FORM 10-Q
TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

		Page
<u>Item 1.</u>	<u>Financial Statements (Unaudited)</u>	
	<u>Consolidated Balance Sheets</u>	2
	<u>Consolidated Statements of Operations</u>	3
	<u>Consolidated Statements of Cash Flows</u>	4
	<u>Notes to Consolidated Financial Statements</u>	5
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	14
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	27
<u>Item 4.</u>	<u>Controls and Procedures</u>	27

PART II - OTHER INFORMATION

<u>Item 1.</u>	<u>Legal Proceedings</u>	28
<u>Item 1A.</u>	<u>Risk Factors</u>	28
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	29
<u>Item 3.</u>	<u>Defaults upon Senior Securities</u>	29
<u>Item 4.</u>	<u>Submission of Matters to a Vote of Security Holders</u>	29
<u>Item 5.</u>	<u>Other Information</u>	29
<u>Item 6.</u>	<u>Exhibits</u>	29
	<u>SIGNATURES</u>	30
	<u>EXHIBIT INDEX</u>	31

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

iPARTY CORP.
CONSOLIDATED BALANCE SHEETS (unaudited)

Sep 26, 2009 Dec 27, 2008

ASSETS

Current assets:		
Cash and cash equivalents	\$64,350	\$60,250
Restricted cash	512,641	775,357
Accounts receivable	1,012,979	730,392
Inventories, net	18,377,554	13,022,142
Prepaid expenses and other assets	445,156	279,185
Total current assets	20,412,680	14,867,326
Property and equipment, net	3,008,388	3,646,481
Intangible assets, net	1,780,862	2,303,692
Other assets	371,082	177,774
Total assets	\$25,573,012	\$20,995,273

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable and book overdrafts	\$10,838,220	\$4,048,833
Accrued expenses	2,403,546	2,495,955
Current portion of capital lease obligations	9,228	6,444
Current notes payable	600,000	2,876,182
Borrowings under line of credit	4,741,878	1,950,019
Total current liabilities	18,592,872	11,377,433

Long-term liabilities:

Capital lease obligations, net of current portion	16,148	-
Notes payable	-	600,000
Other liabilities	1,469,377	1,200,174
Total long-term liabilities	1,485,525	1,800,174

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; 464,173 shares issued and outstanding (aggregate liquidation value of \$9,283,460 at September 26, 2009)	6,906,894	6,890,723
Series C convertible preferred stock - 100,000 shares authorized, issued and outstanding (aggregate liquidation value of \$2,000,000 at September 26, 2009)	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 September 26, 2009)	3,652,500	3,652,500

Edgar Filing: IPARTY CORP - Form 10-Q

Series E convertible preferred stock - 533,333 shares authorized; 296,666 shares issued and outstanding (aggregate liquidation value of \$1,112,497 at September 26, 2009)	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 September 26, 2009)	500,000	500,000
Total convertible preferred stock	13,663,891	13,647,720
Common stock - \$.001 par value; 150,000,000 shares authorized; 22,731,667 shares issued and outstanding at September 26, 2009 and December 27, 2008	22,732	22,732
Additional paid-in capital	52,199,874	52,095,711
Accumulated deficit	(60,391,882)	(57,948,497)
Total stockholders' equity	5,494,615	