

iPARTY CORP.
BOARD OF DIRECTORS' CORPORATE GOVERNANCE GUIDELINES

Introduction

The Board of Directors (the "Board") of iParty Corp. (the "Company") has developed, and the Board has adopted, the following Corporate Governance Guidelines (the "Guidelines") to assist the Board in the exercise of its responsibilities and to serve best the interests of the Company and its stockholders. The Guidelines should be interpreted in the context of all applicable laws and the Company's Certificate of Incorporation (as restated and amended), bylaws and other corporate governance documents. The Guidelines are intended to serve as a flexible framework within which the Board may conduct its business and not as a set of legally binding obligations. The Board may modify the Guidelines from time to time.

Composition of the Board

1. Classification and Definition of Directors.

The principal classifications of Directors are "Independent", "Management" and "Non-Independent Outside". The Board has the responsibility for determining how a Director should be classified.

The term "Independent Director" describes Directors who (1) receive no direct or indirect compensation from the Company other than compensation for service as a director, and (2) meet the "independence" definitions of the Securities and Exchange Commission ("SEC") and AMEX.

The term "Management Director" includes both present and former officers of the Company who serve on the Board, if such persons, at any time as officers, are or were compensated for devoting at least twenty-five percent (25%) of their time to the Company.

The term "Non-Independent Outside Director" describes Directors who are neither an "Independent Director" nor a "Management Director". The combination of these two classifications is described as "Non-Management Directors".

The Board believes that, as of the date of these Guidelines, there does not exist any relationship between an Independent Director or Non-Independent Outside Director and the Company that adversely affects the independent judgment or actions of the Director.

2. Board Size, Composition and Membership Criteria.

The Board believes that 7 members is an appropriate size for the Board and that the Board should be made up of a majority of Independent Directors. The Board expects to have among its members the Chief Executive Officer of the Company.

The Nominating Committee annually reviews the appropriate skills and characteristics required of Board members in light of the current composition of the Board. This assessment includes issues of diversity, age and skills such as understanding of the retail industry, finance, accounting, marketing, technology, and other knowledge needed on the Board. The principal qualification of a Director is the ability to act effectively on behalf of all of the stockholders.

3. Former Chief Executive Officer's Board Membership.

The Board believes that this is a matter to be decided in each individual instance. When the Chief Executive Officer resigns, it is expected that he or she will offer to resign from the Board at the same time. Whether the individual continues to serve on the Board is a matter for discussion at that time with the new Chief Executive Officer and the Board.

4. Selection of New Director Candidates and Extending the Invitation to a New Potential Director to Join the Board.

The Board and stockholders who comply with the relevant provisions of the Company's bylaws are responsible for nominating candidates to become Directors.

The Board has delegated to the Nominating Committee the responsibility for preparing a slate of Directors to be elected by the stockholders. It is expected that the Nominating Committee will have direct input from the Chairperson of the Board and from the Chief Executive Officer. Input will also be solicited from the other members of the Board. Management and other external sources may also identify prospective Director nominees. The Nominating Committee's recommendations shall be submitted to the full Board for consideration and approval.

The invitation to be a candidate to join the Board should be extended by the Chairperson of the Board or the Chief Executive Officer.

5. Director Orientation and Continuing Education

Director Orientation. The Board and the Company's management shall conduct a mandatory orientation program for new Directors. The orientation program shall include presentations by management to familiarize new Directors with the Company's strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its Code of Business Conduct and Ethics, its principal officers, its internal and independent auditors and its outside legal advisors. In addition, the orientation program shall include a review of the Company's expectations of its Directors in terms of time and effort, a review of the Directors' fiduciary duties and visits to Company headquarters and, to the extent practical, certain of the Company's retail stores. All other Directors are also invited to attend the orientation program.

Continuing Education. In accordance with the expectations set forth in the applicable AMEX listing standards, in particular Section 802(e) thereof, each Director is encouraged to be involved in continuing Director education on an ongoing basis to enable him or her to perform better his or her duties and to recognize and deal appropriately with issues that arise. The Company shall pay all reasonable expenses related to continuing Director education.

6. Directors Who Change Their Present Responsibility.

The Board believes that individual Directors whose responsibilities outside of their involvement with the Company change in relevance from those held when they were last elected to the Board (except for internal promotions within their organization) should consider resignation from the Board, effective as of the next regularly scheduled meeting.

It is not the Board's view that Directors who retire or change from the positions they held when they were last elected to the Board should necessarily leave the Board. There should, however, be an opportunity for the Board to review the continued appropriateness of Board membership under the changed circumstances.

7. Term Limits.

As required by the Company's bylaws, the Board serves in one year terms. At the end of a Director's term, unless the Director no longer desires to remain a Director, and subject to the Directors' recommendations, the Director will stand for reelection at the Company's Annual Meeting of Stockholders.

The Board does not believe it should establish term limits. Term limits could result in the loss of Directors who have been able to develop, over a period of time, increasing insight into the Company and its operations and an institutional memory that benefit the entire membership of the Board as well as management. As an alternative to term limits, the Nominating Committee shall review each Director's continuation on the Board annually. This will allow each Director the opportunity to conveniently confirm his or her desire to continue as a member of the Board and allow the Company to conveniently replace Directors who are no longer interested or effective.

8. Other Board Memberships.

The Board does not believe that its members should generally be prohibited from serving on boards and/or committees of other organizations, and, except to the extent limited by the Company's Code of Business Code and Ethics. The Board has not adopted any guidelines limiting such activities. However, the Nominating Committee shall take into account the nature of and time involved in a Director's service on other boards in evaluating the suitability of individual Directors and making its recommendations to the Board.

9. Conflicts of Interest.

All Directors must comply with the applicable provisions of the Conflicts of Interest section of the Company's Code of Business Conduct and Ethics. If an actual or potential conflict of interest develops for any reason, including, without limitation, because of a change in the business operations of the Company or a subsidiary, or in a Director's circumstances, the Director should immediately report such matter to the CEO of the Company for evaluation. The CEO should report all such actual or potential conflicts of interest to the Audit Committee for review and determination. A significant conflict must be resolved or the Director should resign.

If a Director has a personal interest in a matter before the Board, the Director shall disclose the interest to the Board, excuse himself or herself from participation in the discussion and shall not vote on the matter.

Operation of the Board

10. Directors' Responsibilities.

The principal responsibilities of the Directors are to oversee the management of the Company and to exercise their business judgment in a manner that they reasonably believe will serve the best interests of the Company and its stockholders. Directors have an obligation to become and remain informed about the Company and its business. The Directors are also expected to promote the best interests of stockholders in terms of corporate governance, fiduciary responsibilities, compliance with applicable laws and regulations, and maintenance of accounting, financial and other controls.

11. Assessing the Board's Performance.

With the goal of increasing the effectiveness of the Board and its relationship to management, the Independent Board members are responsible for conducting an evaluation of its performance as a whole every other year. This assessment should include such items as the frequency of Board

and committee meetings and the contribution of the Board as a whole. Since the goal of the assessment is to increase the effectiveness of the Board, the Independent Board members should review areas in which it and management believe the Board could make a greater contribution, and the assessment should be discussed with the full Board.

The purpose of this process is to improve the effectiveness of the Board, not to focus on any individual Board members. The Nominating Committee, however, is empowered to review the performance and contribution of individual Directors and recommend the replacement of any Director who is not properly performing his or her duties.

12. Board Committees.

The Company has four Board committees: audit, compensation, real estate and nominating.

Each of these committees has a charter that has been approved by the Board.

The need for changes in the number, charters, or titles of Board committees will be reviewed annually by the Board.

The Board has the flexibility to form a committee or to disband a current committee, as it deems appropriate. Subject to Board approval, the Nominating Committee is responsible, after consultation with the Chairperson of the Board and the Chief Executive Officer, and with consideration of the desires of individual Board members, for the assignment of Board members to various committees and the selection of the committee chairpersons. Only Independent Directors may serve on the audit, nominating and compensation committees. Only Independent Directors may serve as the chairperson of any committee except for the Executive Committee.

It is the sense of the Board that it is desirable that committee assignments be rotated from time to time, but not on a fixed schedule. There may be good reasons sometimes to maintain a Director's committee membership for a longer time than in certain other instances.

The chairperson of each committee should report to the Board, whenever appropriate, with respect to those matters considered and acted upon by his or her committee.

13. Frequency and Length of Committee Meetings.

Each committee chairperson, in consultation with committee members and with input from management, will determine the frequency and length of committee meetings.

14. Committee Agendas.

The chairperson of each committee, in consultation with committee members and appropriate members of management and staff, will develop the committee's agenda.

At the beginning of each fiscal year, each committee will, to the best of its ability, issue a schedule of agenda subjects to be discussed in the ensuing year (to the extent that these can be foreseen). These agendas will be shared with the Board.

15. Selection of Agenda Items for Board Meetings; Annual Board Calendar.

The Chairperson of the Board and the Chief Executive Officer will propose the agenda for each Board meeting. They will consider (a) the items to be included; (b) the sequence of those items;

(c) the approximate time to be devoted to each item; and (d) the materials to be provided to Directors regarding certain items, including what materials are to be sent in advance.

Each Board member is free to suggest the inclusion of item(s) on the agenda.

The Chairperson of the Audit Committee shall, at the beginning of each fiscal year, consult with the Chief Executive Officer and the Chairperson of the Board about the routine corporate governance matters to be included in the "Board Calendar" for the year.

16. Board Materials Distributed in Advance.

Information and data that are important to the Board's understanding of the business of the meeting should, when practical, be distributed in writing to the Board before the Board meets. When advisable because of confidentiality concerns, management may elect not to provide sensitive material to the Board in advance of a meeting.

17. Selection of the Chairperson of the Board and the Chief Executive Officer.

The Board will remain free to select the Chairperson of the Board and Chief Executive Officer in any way it deems best for the Company at any point in time. The Board does not have a predetermined policy as to whether or not the roles of Chairperson of the Board and the Chief Executive Officer should be separate and, if the roles are to be separate, whether the Chairperson of the Board should be a Non-Management Director or a Management Director.

18. Executive Sessions of Non-Management Directors.

The Non-Management Directors will meet in executive session at least twice a year to discuss, among other matters, the performance of the Chief Executive Officer. Absent unusual circumstances, these sessions will be held in conjunction with regular Board meetings. Executive sessions will be scheduled and presided over by the Nominating Committee Chairperson. The chairperson of the Committee has been designated as the individual whom other Directors may ask to call a private meeting of Non-Management Directors when they believe there is a need to discuss a matter that could materially affect the performance of the Company. The Non-Management Directors may invite the Chairperson of the Board or others, as they deem appropriate, to attend a portion of these sessions.

The Non-Management Directors may meet with the Chief Executive Officer at any time.

19. Board Compensation.

The form and amount of Director compensation shall be determined by the Board. The compensation committee shall conduct an annual review of Director compensation. The Company seeks to attract exceptional talent to its Board. Therefore, the Company's policy is to compensate Directors at least competitively relative to comparable companies. The compensation committee shall consider that questions as to Directors' independence may be raised if Director compensation and perquisites exceed customary levels, if the Company makes substantial charitable contributions to organizations with which a Director is affiliated or if the Company enters into consulting contracts or business arrangements with (or provides other indirect forms of compensation to) a Director or an organization with which the Director is affiliated.

Board Interaction with Management

20. Presentations.

It is the sense of the Board that presentations by senior management help provide information to the Board and give Board members an opportunity to evaluate these persons.

21. Attendance of Non-Directors at Board Meetings.

Non-Directors who are members of the Chief Executive Officer's staff may be invited to attend Board meetings.

Further, the Board specifically encourages management, from time to time, to bring into Board meetings managers who:

- a. Can provide additional insight into the items being discussed because of personal involvement in these areas; and/or
- b. Appear to management to be persons with future potential who should be given exposure to the Board.

Such non-Directors may attend part or all of a Board meeting.

22. Formal Evaluation of the Chief Executive Officer and of the Chairperson of the Board.

The Non-Management Directors should annually evaluate the CEO and Chairperson of the Board. The Compensation Committee will coordinate these evaluations. The evaluation of the Chief Executive Officer should be communicated to him or her by the Compensation Committee Chairperson, together with at least one other Non-Management Director. The evaluation is to be used by the compensation committee in determining the compensation of the Chief Executive Officer. The evaluation should be based on objective criteria to include the performance of the business, accomplishment of reported goals and long term strategic objectives and the development of management.

The evaluation of the Chairperson of the Board should be communicated to him or her by the Compensation Committee Chairperson, together with at least one other Non-Management Director.

23. Succession Planning.

The Chief Executive Officer is responsible for developing and maintaining a process for advising the Board on succession planning for himself or herself and other key senior leadership positions. The Chief Executive Officer shall prepare an annual report on such matters for the Board.

There shall also be available, on a continuing basis, recommendations from the Chief Executive Officer and the Chairperson of the Board regarding their successors should either of them be disabled unexpectedly.

Should a succession of the Chief Executive Officer occur, the Nominating Committee shall manage the process of identifying and selecting the new Chief Executive Officer, with the full participation of each of the Non-Management Directors and the current Chief Executive Officer, if appropriate.

24. Management Development.

There shall be an annual report to the Board by the Chief Executive Officer on the Company's program of management development. This report should be given to the Board at the same time as the succession planning report.

25. Board Access to Senior Management and Independent Advisors.

Board members should have complete access to the Company's senior management and are encouraged to make regular contact. Board members are normally expected to inform the Chief Executive Officer prior to contacting other members of management on any substantive matter, if the contact could be perceived as infringing on the responsibilities of the Chief Executive Officer. Members, however, are not expected to inform the Chief Executive Officer that they are contacting other members of management regarding the normal activities of their Board committees.

The Board and each of the Board's Committees shall have the authority to, as necessary and appropriate, retain independent advisors and consultants at the expense of the Company.

26. Board Interaction with Institutional Investors, the Press, Customers, and Others.

The Board believes that the Chief Executive Officer and his or her designees speak for the Company. Directors should not speak for the Company unless requested to do so by the CEO or the CEO has approved of the communication; in such situations involving institutional investors, the Audit Committee Chairperson will serve as the Non-Management Director contact.

Individual Board members may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Company. It is, however, expected that Board members would do this with the knowledge of management and, in most instances, at the request of management.

Directors are subject to the confidentiality provisions of the Company's Code of Business Conduct and Ethics and should maintain the confidentiality of all non-public board matters and materials.