

**iPARTY CORP.**  
**CODE OF BUSINESS CONDUCT AND ETHICS**

iParty Corp. (“iParty “ or “the Company”) is proud of its reputation as a company of integrity and ethical business practices. We have built this reputation over many years by doing the right things for the right reasons. Going forward, it is more important than ever for all of us to stay true to our values and perpetuate the iParty way of doing business. This Code of Business Conduct and Ethics sets forth our core expectations about the way you should behave - and should not behave - as an employee, officer, or director. This Code applies to all employees, officers and directors of iParty Corp. and its subsidiaries. It is intended to deter wrongdoing and promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between your personal and professional relationships. Specific provisions also apply to our outside directors, as explained below under the heading "outside directors."

Situations may arise that are not specifically addressed in this Code or involve complex topics or difficult value judgments. Always use good judgment and common sense and seek advice if you have questions about the laws, regulations, or policies you need to comply with in performing your job. It's your responsibility to keep your supervisor informed if you are not sure about the right way to handle a situation or you have questions about how to interpret and comply with this Code.

**Compliance with Laws, Rules, Regulations, and Policies**

In addition to the specific topics covered in this Code, we expect you to comply with all applicable laws, rules, and regulations wherever we do business, as well as all other relevant policies and procedures that apply to your job. As a general rule, all employees and officers must comply with our human resources policies, available in the Employee Handbook. If you don't have the Employee Handbook or you have any questions about which policies you need to follow, speak with your supervisor or a human resources representative.

**Senior Executives on the Board of Directors**

This Code also applies to the Chief Executive Officer (CEO) and other senior executives who serve on the Board of Directors ("inside directors"). Inside directors, like other iParty officers, must comply with all applicable laws, rules, regulations, and policies governing their employment. In any situation where the Code requires an employee or officer to obtain the approval of the Chairman and/or CEO, insider directors are expected to obtain the approval of the Board's Audit Committee except as specifically stated below.

**Outside Directors**

iParty requires the members of our Board of Directors who are not employed by iParty ("outside directors") to comply with the provisions in this Code when they are doing business on behalf of the company. When outside directors are not doing iParty business, some of the Code's provisions will not be directly applicable to their daily activities.

Nevertheless, as leaders of our company whose actions and reputations will reflect on iParty, we expect outside directors to behave ethically and lawfully in all of their dealings, whether on behalf of iParty or otherwise.

## **Code of Business Conduct and Ethics - Outline**

1. **Protect iParty's Assets**
  - Avoid conflicts of interest
  - Do not engage in insider trading
  - Protect iParty intellectual property and do not disclose information to third parties unless you are authorized to do so
  - Maintain accurate books, records and reports
2. **Respect our Customers and Vendors**
  - Don't make improper payments
  - Respect customer privacy
  - Use judgment on gifts and entertainment
3. **Value our Employees**
  - Promote fair employment practices
  - Do your part to prevent harassment
  - Maintain a safe and healthy work environment
4. **Take Responsibility For Reporting Ethics Complaints, Including Any Concerns About Accounting Or Auditing Matters**
  - Report complaints and concerns regarding auditing or accounting matters
5. **Waivers of the Code of Business Conduct and Ethics**

### **1. Protect iParty's Assets**

Protecting iParty's assets means a lot more than controlling costs and waste. It also means taking the right steps to avoid conflicts of interest, maintain our financial integrity, and protect our property, whether it's a product we sell in our stores, an electronic file, or confidential information about our business. Please keep the following policies in mind as you carry out your responsibilities:

**Avoid Conflicts of Interest.** We expect you to act in iParty's best interests and to avoid situations that could give rise to a conflict of interest -- in practice or appearance. This means that you and your close relatives must not engage in any activity, relationship, position, or investment that interferes or reasonably could interfere with your ability to make honest, objective decisions for iParty. It's up to you to avoid any relationship, influence, or activity that might impair, or even appear to impair, your ability to make sound business decisions. You must disclose all actual or potential conflicts of interest to your manager. Absent unusual circumstances, which would require approval by iParty's Chairman or Chief Executive Officer (CEO) (or in the case of inside directors, the Audit Committee), you will be expected to avoid or eliminate any conflicts.

Follow these guidelines in avoiding conflicts of interest. If other situations arise that are not addressed directly here, you should consult with your supervisor.

**Relationships with Competitors** - Whether you are an employee, officer, or director:

- Do not work for, consult to, advise, or perform any services for a competitor under any circumstances.
- Do not purchase or maintain a financial interest in any direct competitors or potential direct competitors unless your ownership interest is passive and equals less than 1% of a public company. (You may not hold any ownership interest in a competitor that is a private company.)

**Relationships with Customers and Vendors**

If you are an employee or officer (including inside directors):

- Do not work for, consult to, advise, or perform any services for any company that is an iParty vendor or customer.
- You may serve as a director of a company that is an iParty vendor or customer under the following circumstances:
  1. The company's annual sales to or purchases from iParty are less than 5% of the company's annual revenues; and
  2. You disclose your appointment as a director to iParty's CEO (or, in the case of an inside director, the Audit Committee); and
  3. You agree to recuse yourself from (i.e., refrain from participating in or influencing, directly or indirectly) any matter affecting the business relationship or transactions between iParty and that company.

If you are an outside director:

- You may work for, consult to, advise, serve on the board, or perform services for a company that is an iParty vendor or customer only if:
  1. The company's annual sales to or purchases from iParty are less than 5% of the company's annual revenues; and
  2. You disclose the position to the Audit Committee; and
  3. You agree to recuse yourself from (i.e., refrain from participating in or influencing, directly or indirectly) any matter affecting the business relationship or transactions between iParty and that company.

If you are an employee, officer, or director:

- Do not purchase or maintain a financial interest in a vendor or customer unless:
  1. The company's annual sales to or purchases from iParty are less than 5% of the company's annual revenues; or

2. Your ownership interest is both passive and less than 1% of a public company or 5% of a private company. (In the case of a private company, you must obtain written approval from iParty CEO or, in the case of the Chairman, CEO, inside and outside directors, from the Audit Committee.)

**Family Businesses and Relationships** - Whether you are an employee, officer, or director:

- Do not conduct business on behalf of iParty with a firm owned or controlled by you or a member of your family.
- Do not supervise, review, or influence the job evaluation, pay, or benefits of a member of your immediate family unless such immediate family relationship was already in existence and openly known to the Company prior to its adoption of this Code of Business Conduct and Ethics on April 14, 2004.

**Outside Work and Political Activities** - If you are an employee or officer:

- Do not perform or solicit outside work on iParty premises or during iParty working time, or do anything that would interfere with your ability to perform your job requirements. Also, do not use iParty equipment or resources to conduct outside work regardless of whether the outside work is conducted on iParty premises or elsewhere. You may serve as a director of a company that is not an iParty vendor or customer provided that you obtain the CEO's approval and comply with all applicable requirements.
- Do not use iParty property or facilities, or your work time or that of any other employee, for political activity or conduct political activities on iParty's behalf without first consulting the iParty CEO. If you choose to volunteer your services or raise funds for a political purpose, you must do so outside of regular working hours.

For information about requesting an exception, see Section 6 - Waivers of the Code of Business Conduct and Ethics.

**Do Not Engage in Insider Trading.** Some of you may become aware of inside information about iParty or one of its vendors or customers that is not known to the public. It is against the law and iParty policy to buy or sell stock, or to recommend that someone else make a trade, if the investment decision is based on inside information that would be important to a reasonable investor. You run the risk of being criminally prosecuted if you violate these laws. To help ensure your compliance and prevent insider trading, iParty has adopted specific restricted periods of trading as detailed in the Security Trades by Company Personnel Policy to restrict option-eligible employees, officers, and directors from buying and selling iParty stock on certain dates. If you have any questions about the legality of buying or selling iParty stock or the securities of any other company about which you obtained information through iParty, always consult with the iParty CFO before you carry out the transaction.

**Protect iParty Intellectual Property.** Intellectual property, including our trade secrets, trademarks, copyrights, and other proprietary information, is one of iParty's most valuable assets. You must keep confidential all intellectual property or proprietary information you receive during your relationship with iParty. Marketing plans, budgets, pricing information, customer lists, unpublished financial information, and store opening and expansion plans are just a few examples of the type of information you need to protect. Keep in mind that iParty proprietary information is not limited to written documents; it also includes electronic information such as e-mail, files available on the iParty intranet and proprietary information that you learn in the course of your job that you might retain only in your thoughts. Please refer to the Confidentiality policy in the Employee Handbook for additional guidelines you need to be aware of and need to follow to protect written and electronic records you create at iParty.

**Do not Disclose Information To Third Parties Unless You're Authorized To Do So.**

Depending upon your job, various third parties may ask you to give them information about iParty's business and/or our employees. As a general rule, you should never discuss or disclose internal company matters, including employee personnel issues, to any third parties unless you have a legitimate business reason for doing so and/or you obtain any necessary approval. Guidelines for handling specific topics related to third party inquiries follow:

- **Investment Matters:** iParty places strict limits on the people authorized to speak to investment professionals, market analysts, stockholders, and others about the company's performance and other matters. In most cases, this group includes only the Chairman, CEO, President and CFO. Senior executives who regularly come in contact with securities market professionals also must comply with Regulation FD of the Securities and Exchange Commission. If you have any questions about investment matter discussions, consult with the iParty CFO.
- **Public Relations Requests:** If you receive any calls from the media, such as questions from reporters, requests for interviews or photos, or other related inquiries about the company, you must refer them to the Marketing department.
- **Government Visits and Inquiries:** Federal, state, and local government officials may visit and/or contact iParty from time to time to conduct inspections, interview employees, review documents, and obtain other information related to health and safety, immigration, employment, product pricing, police matters, and other issues. Make sure that you notify your supervisor and obtain approval from the Human Resources department before you provide any information to or permit an inspection by any government officials. Also, you should not write any statements or sign any documents provided by a government official without the Human Resources department's approval.
- **Employee Personnel Records:** iParty collects and maintains personnel records for all employees that contain both job-related and necessary personal information. These records are confidential, and we limit internal access to them on a need-to-know basis. If a third party outside of iParty asks for your personnel records, we will not provide them with any personal information unless we have your written consent or are legally required to do so.

**Maintain Accurate Books, Records, and Public Reports.** iParty's integrity is based on maintaining accurate and honest records and accounts to reflect all business transactions. We expect you to keep accurate records and reports to safeguard the company's reputation and ensure our ability to meet legal and regulatory obligations. All company books, records, and accounts must be maintained in accordance with all applicable regulations and standards and accurately reflect the transactions they record. iParty's financial statements must conform to generally accepted accounting rules and the company's accounting policies. We do not permit any undisclosed or unrecorded accounts or funds for any purpose. We also prohibit making any false or misleading entries in the company's books or records for any reason. Finally, we will not allow the disbursement of corporate funds or other corporate property without adequate supporting documentation.

It is the policy of iParty to provide full, fair, accurate, timely and understandable disclosure in reports and documents filed with, or submitted to the Securities and Exchange Commission and in other public communication.

## **2. Respect Our Customers and Vendors**

Dealing honestly, ethically, and fairly with our customers and vendors is critical to our success. In carrying out your responsibilities, we expect you to adhere to the following policies:

**Don't Make Improper Payments.** Bribes and kickbacks are criminal acts, and iParty will not tolerate any business practices that create even the appearance of such an impropriety. You must never offer anything of value to a customer, vendor, government official, or other third party to obtain any improper advantage in selling goods and services, conducting financial transactions, or representing the company's interests. This policy prohibits all kinds of payments, such as cash, gifts, trips, advantageous pricing on products or stock in initial public offerings. This policy applies not only to direct payments, but also to indirect payments, payments in kind and payments to third parties (such as brokers, sales representatives or manufacturer's representatives). In short, you should avoid making any payments to anyone where you know or even merely have reason to suspect that all or any part of the payments will be offered or paid as a bribe, kickback or improper payment.

**Respect Customer Privacy.** iParty is committed to protecting the personal information that we collect from or maintain about individual customers, such as identification information, credit and credit card information, buying history, and communications or complaints. If you handle or become aware of customer information, you play an important role in protecting it from inappropriate or unauthorized use or disclosure. As a general rule, you should limit the number of individuals who have access to the information on a "need to know" basis and never disclose the information outside of the company or use it for anything other than legitimate company purposes.

Take special care to protect our customer lists. When working with a business partner, remember that the customer list belongs to iParty and that while the partner may be helping us service our customers, the partner should not be doing business independently with the customer or selling the customer's name to another vendor without proper corporate authorization.

**Use Judgment on Gifts and Entertainment.** iParty encourages employees to develop close working relationships with our customers, vendors and other business partners. We also recognize the important role that gifts and entertainment may play in establishing those relationships. Nevertheless, you must avoid giving or receiving any gifts or entertainment that compromise or appear to compromise your ability to conduct business fairly and in the best interests of iParty regardless of your personal interests. Obviously, no employee should accept or take a gift that is intended as a bribe, kickback or other improper payment.

As a general rule, you and your close relatives should not accept any gifts or entertainment from customers, vendors, or other parties seeking to do business with iParty unless such gifts are of nominal value (i.e., less than \$200). If you receive a nominal gift during the holidays or another special occasion, share it with members of your department whenever possible. If you receive a gift valued at more than \$200, you must notify your supervisor immediately. Ordinarily, you will be expected to return any such gift unless it would be impractical to do so, in which case it will be used for charitable purposes or employee team-building events.

There may be times when a business partner offers you a gift, such as tickets to a sporting event or an out-of-town trip, that is valued at more than \$200, yet is considered reasonable and customary in the industry. In extraordinary circumstances, you may accept such gifts provided that doing so would not compromise or appear to compromise the integrity of iParty business interests. Prior to accepting any such gift, you must obtain the specific approval of your manager (or, in the case of the Chairmen and/or CEO, notify the Audit Committee, who will determine whether further disclosure is warranted).

It is common practice for certain vendors to provide iParty with merchandise samples. Such samples must be used for legitimate business purposes, such as testing or becoming more familiar with a product. If the samples are not usable and cannot be returned, they may be used for other legitimate business purposes, including as prizes or awards for company events. Non-returnable samples may be made available to employees on a general basis, at the discretion of the Merchandising department, only after all possible company uses have been exhausted.

### **3. Value our Employees**

To succeed in an increasingly competitive business environment, iParty must continue to attract, develop, and retain the very best people from diverse backgrounds and experiences. At a minimum, this means adhering to the following standards:

**Promote Fair Employment Practices.** All applicants and employees deserve equal access and fair treatment based on merit. To help promote consistency and fair treatment, iParty has developed numerous policies and procedures that govern an individual's status from the time of hiring through the end of employment. We expect you to comply with these policies and procedures in all of your dealings with employees and applicants. Also, before taking any action that will affect the terms, conditions, or status of an employee or applicant, always make sure that your employment decision is based solely on legitimate job-related criteria. It is against the law and iParty policy to make employment decisions based on a person's race, color, religion, national origin, sex (including pregnancy), sexual orientation, age, disability, veteran status, marital status, or any other characteristic protected by law.

**Do Your Part to Prevent Harassment.** All employees want and deserve a work environment where they can feel respected, satisfied and appreciated. It is illegal and against iParty policy to harass someone based on race, color, religion, national origin, sex (including pregnancy), sexual orientation, age, disability, veteran status, marital status, or any other characteristic protected by law. You are personally responsible for behaving professionally at all times and for avoiding any conduct that, if unwelcome, may be considered harassment or sexual harassment. If you manage other employees and receive a complaint of unfair treatment or harassment, or you observe or learn about any potential violations of iParty's Harassment policy or Equal Employment Opportunity policies, you are required to notify Human Resources immediately so that we can investigate and address the situation appropriately. As a manager, you may be sued personally if you receive a harassment or discrimination complaint and fail to report it to Human Resources.

For additional information about your responsibilities in the areas of equal employment opportunity and harassment prevention, please refer to the Employee Handbook.

**Promote a Safe and Healthy Work Environment.** iParty is a drug-free employer and strives to provide all employees with a safe and healthy environment. It is unacceptable for any of our employees to work when their ability to function safely is diminished for any reason. While at work or on company business, you must not use - or have in your system - any legal or illegal drugs or alcohol that could impair your safety or that of your co-workers. Although alcohol may be available at certain company-sponsored or other business events, drunkenness is not acceptable. If you choose to drink, you must do so in moderation. iParty does not tolerate any acts or threats of violence by or towards employees, customers, or visitors who are on our premises at any time. We have developed detailed safety policies and procedures for each of our locations to promote a safe environment and to prevent workplace injuries. You are responsible for following applicable procedures for your area and complying with all health and safety laws and regulations.

#### **4. Take Responsibility For Reporting Ethics Complaints, Including Any Concerns About Accounting Or Auditing Matters**

If you have any questions about your responsibilities under this Code or you become aware of any situations in which you believe there has been a legal or ethical violation, you have a personal responsibility to communicate this concern to iParty immediately. You may report any concerns or violations of this Code openly or anonymously by using any of the following resources:

- Your supervisor or manager
- Human Resources department
- President, iParty Corp. 270 Bridge Street, Suite 301, Dedham, MA 02026

iParty will not tolerate retaliation against anyone who in good faith reports a violation or potential violation of this Code. This means that you will not be disciplined, fired, or discriminated against in any way for voicing ethical or legal concerns or reporting violations so long as you act honestly and in good faith. While it is our hope to address potential violations internally, nothing in this Code should discourage you from reporting illegal conduct to an appropriate government authority.

iParty will handle all reported violations of this Code promptly, professionally, and with as much confidentiality as possible. We will evaluate all complaints to determine whether it is necessary to conduct an informal inquiry or a formal investigation and forward them to appropriate members of management for follow up. Depending on the nature and circumstances of a particular issue, a complaint or inquiry may be addressed by any one or a combination of the following departments: Human Resources or Loss Prevention. Failure to cooperate may result in disciplinary action, up to and including discharge. iParty will not tolerate any form of retaliation against someone that cooperates or participates in an investigation.

If iParty determines that an employee or officer (other than an executive officer) has violated this Code, we will determine the disciplinary measures to be taken against that individual. Depending on the nature and severity of the violation, such disciplinary action may include, but is not limited to, reprimands, warnings, probation, suspension, demotions, reductions in salary, discharge, and restitution. Certain violations also may require iParty to refer the matter to the appropriate criminal or civil authorities for investigation or prosecution. Moreover, any supervisor or manager who directs or approves of conduct in violation of this Code, or who has knowledge of such conduct and does not immediately report it, will be subject to disciplinary action, up to and including discharge. (In the case of an alleged violation by an executive officer or director, the Chairman and/or CEO and the Audit Committee of the Board of Directors are responsible for determining whether a violation has occurred and, if so, what disciplinary measures are appropriate.)

#### **Complaints and Concerns Regarding Accounting, or Audit Matters**

Employees with concerns about questionable accounting, or auditing matters may

confidentially and anonymously report such concerns or complaints by contacting the following resource:

Audit Committee Chairman  
iParty Corp.  
37 Meriam St.  
Lexington, MA 02420  
(617) 244-5521  
frankhaydu@yahoo.com

The Audit Committee Chairman will forward all complaints to the Audit Committee of the Board of Directors, unless he determines that the allegations are without merit. In any event, the Audit Committee Chairman will maintain a comprehensive list of all complaints or concerns regarding accounting, internal accounting controls, or auditing matters and provide it to the Audit Committee each fiscal quarter.

iParty will not discipline, discriminate against, or retaliate against any employee who reports a complaint or concern in good faith.

#### **5. Waivers of the Code of Business Conduct and Ethics**

iParty generally will not permit any exceptions to the policies outlined in this Code. However, if you feel that an exception would be appropriate for you in a particular instance, consult with your supervisor or manager. If your supervisor or manager agrees that an exception is appropriate, you must then obtain the approval of the CEO.

In the case of executive officers and directors, you must consult directly with the Audit Committee when seeking a waiver or exception to any of the policies in this Code. The Audit Committee will consider all such requests and bring them before the Board of Directors, which will be solely responsible for granting or denying them. To the extent a waiver is granted or there is a change to this Code that applies to executive officers or directors, it will be disclosed as required by law or regulation. In addition, the Audit Committee shall maintain a complete record of all requests for waivers and exceptions to this Code, including the nature of the request and the outcome, regardless of the level of the person seeking the waiver.