

IPARTY CORP
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PROSPECTUS

Common Stock

2,708,335 Shares

This prospectus relates to the offer and sale from time to time of up to 2,708,335 shares of iParty common stock by the selling stockholder identified in this prospectus. These shares of iParty common stock are issuable upon exercise of a warrant issued in a private placement to an institutional accredited investor. The warrant is exercisable over a five-year period at an exercise price of \$0.475 per share of iParty common stock. The shares covered by this prospectus solely includes the iParty common stock that underlies the warrant issued to the selling stockholder in connection with the aforementioned transaction.

This prospectus will be used by the selling stockholder listed on page 12 to resell, from time to time, the common stock issuable upon exercise of its warrant. iParty will not receive any of the proceeds from the sale of the common stock offered pursuant to this prospectus. However, iParty would receive \$989,583.65 if the warrant issued to the selling stockholder is exercised in full and the purchase price is paid in cash (although the warrant contains provisions that allow it to be exercised on a cashless basis in certain circumstances).

Investing in our common stock involves a high degree of risk.

Before making a decision to invest in our common stock, please see Risk factors beginning on page 5.

Our common stock is listed on the American Stock Exchange (AMEX) under the ticker symbol IPT. On April 3, 2007, the closing price for one share of our common stock on AMEX was \$0.44.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is April 4, 2007

You should rely only on the information contained or incorporated by reference in this prospectus. We have not authorized anyone to provide you with different information. This prospectus may only be used where it is legal to sell these securities. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

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SUMMARY

This summary highlights information about iParty. Because this is only a summary, it does not contain all of the information that may be important to you. You should read the entire prospectus and the documents incorporated herein by reference carefully, especially Risk Factors beginning on page 5 and our financial statements and related notes that are incorporated into this prospectus, before investing in our common stock.

In this prospectus, references to iParty, the company, we, us and our are to iParty Corp., a Delaware corporation, and its wholly-owned subsidiary, iParty Retail Stores Corp., unless the context requires otherwise.

Overview

We are a party goods retailer operating stores throughout New England, where 45 of our 50 retail stores are located. We believe we are a leading brand in the party industry in the regional and local markets we serve and a leading resource in those markets for consumers seeking party goods, party planning advice and relevant information. We also license the name iparty.com (at www.iparty.com) to a third party in exchange for royalties, which to date have not been significant.

Our 50 retail stores are located predominantly in New England with 26 stores in Massachusetts, 7 in Connecticut, 6 in New Hampshire, 2 in Rhode Island, 3 in Maine and 1 in Vermont. We also operate 5 stores in Florida. Our stores range in size from approximately 8,000 square feet to 20,300 square feet and average approximately 9,800 square feet in size. We lease our properties, typically for 10 years and usually with options from our landlords to renew our leases for an additional 5 or 10 years.

The following table shows the number of stores in operation:

| | For the fiscal year ended | |
|-------------------------|---------------------------|--------------|
| | Dec 30, 2006 | Dec 31, 2005 |
| Beginning of period | 50 | 44 |
| Openings / Acquisitions | 1 | 6 |
| Closings | 1 | |
| End of period | 50 | 50 |

On August 7, 2006, we acquired one store in Peabody, Massachusetts. On November 4, 2006, we closed our store in East Providence, Rhode Island.

Our stores feature over 20,000 products ranging from paper party goods, Halloween costumes, greeting cards and balloons to more unique merchandise such as piñatas, tiny toys, masquerade and Hawaiian Luau items. Our sales are driven by the following holiday and party events: Halloween, Christmas, Easter, Valentine's Day, New Year's, Independence Day, St. Patrick's Day, Thanksgiving and Hanukkah. We also focus our business closely on lifetime events such as anniversaries, graduations, birthdays, and bridal or baby showers.

Our business has a seasonal pattern. In the past three years, we have realized approximately 37.5% of our annual revenues in our fourth quarter, which includes Halloween and Christmas, and approximately 23.4% of our revenues in the second quarter, which includes school graduations. Also, during the past four years, we have had net income in our second and fourth quarters and generated losses in our first and third quarters.

Among our primary goals are to increase our comparable store sales, increase our gross profit margin percentage and leverage our occupancy costs, marketing and sales expense and general and administrative expense as the 12 stores we opened over the past three years reach maturity. We do not have any current plans to open any new stores.

Our Corporate Information

While we are presently a party goods retail chain operating 50 stores, when we were first incorporated as iParty Corp. on March 12, 1998 we were an Internet-based merchant of party goods and services. On July 2, 1998, iParty Corp. merged into WSI Acquisitions, Corp. and began trading on the OTC Bulletin Board under ticker symbol IPTY . On January 2, 2000, iParty Corp. was listed on the American Stock Exchange under ticker symbol IPT .

On August 3, 2000, iParty Retail Stores Corp. (iParty Retail) was incorporated as a wholly-owned subsidiary of iParty Corp. to operate a chain of retail stores selling party goods. On August 15, 2000, iParty Retail acquired inventory, fixed assets and the leases of 33 retail stores from The Big Party Corporation (The Big Party), a privately-held company which was operating under bankruptcy protection, in exchange for cash and the assumption of certain liabilities. This acquisition was approved on August 16, 2000 by the United States Bankruptcy Court for the District of Delaware. We have subsequently opened an additional 17 new stores through December 31, 2005, purchased one additional store in August 2006 and closed one store in November 2006.

On July 8, 2003, we signed an agreement with Taymark, Inc. (Taymark) to license the iParty.com name to Taymark. In return, Taymark pays us a 15% royalty on all net sales realized through its operation of www.iparty.com. The term of this agreement was for a period of two (2) years, unless sooner terminated. If this agreement is not terminated, it is automatically renewed for successive one-year periods. Accordingly, on July 8, 2005 and July 8, 2006, we entered into one-year renewal periods.

Our Competition

The party supplies retailing business is highly competitive. We compete with a variety of smaller and larger retailers, including single owner-operated party supplies stores, specialty party supplies retailers, temporary Halloween stores, discount department stores, general mass merchants and supermarkets, as well as catalog and Internet merchants.

Barriers to entry are minimal. New competitors can open new stores, temporary Halloween stores, and/or launch new Internet sites at a relatively low cost. However, we believe that the costs to remain competitive in the party supplies retailing business can be significant. These costs include the hiring of human resources with industry knowledge and the marketing costs associated with building a widely recognized brand.

Our Suppliers and Inventory

The following represents suppliers from whom we purchased at least 5% of our merchandise since the beginning of fiscal 2004.

| Supplier | Products supplied | Fiscal 2006 | Fiscal 2005 | Fiscal 2004 |
|-------------------------------|--------------------|-------------|-------------|-------------|
| Amscan, Inc. | Paper party goods | 16.0 % | 17.4 % | 17.4 % |
| Fun World | Halloween costumes | 6.0 % | 7.1 % | 7.4 % |
| Unique Industries, Inc. | Paper party goods | 6.0 % | 5.6 % | 6.1 % |
| Hallmark Marketing Corp. | Paper party goods | 5.6 % | 4.7 % | 4.5 % |
| Kendall Confectionery Company | Candy | 5.3 % | 4.7 % | 4.8 % |
| Lagasse Inc. | Paper party goods | 5.2 % | 5.4 % | 4.8 % |
| Total | | 44.1 % | 44.9 % | 45.0 % |

In August 2006 we entered into a Supply Agreement with Amscan which extends to 2012 and obligates us to purchase increased levels of merchandise from Amscan, our largest supplier, in exchange

for, among other things, the right to receive certain additional rebates and more favorable pricing terms over the life of the agreement than were generally available to us under our previous terms with Amscan.

The loss of any of the suppliers listed above could materially adversely affect our business, results of operations, financial condition and cash flow. We consider numerous factors in supplier selection, including, but not limited to, price, credit terms, product offerings and quality. As is customary in our industry, we generally do not have long-term contracts with any supplier, and any supplier may discontinue selling to us at any time.

Our Intellectual Property

We hold trademarks for iParty and iParty.com issued by the U.S. Patent and Trademark Office. Trademark registrations for iParty were issued on February 19, 2002 and August 26, 2003 under U.S. registration No. 2,541,025 and No. 2,756,735. The trademark registration for iParty.com was issued on November 12, 2002 under U.S. registration No. 2,649,801.

Our Employees

As of December 30, 2006, we had 280 full-time employees and 787 part-time employees. None of these employees are represented by a labor union, and we consider our relationship with our employees to be good.

Our Capital Structure

Our capital structure currently consists of common stock and five outstanding series of convertible preferred stock. We have also issued warrants and have a stock option plan.

Our common stock has a par value of \$0.001 per share. We have 150,000,000 shares of common stock authorized, 22,603,877 of which were issued and outstanding as of December 30, 2006. These shares are listed on the American Stock Exchange and trade under the symbol IPT .

We currently have five outstanding series of convertible preferred stock, Series B-F. On January 13, 2004 all 1,000,000 shares of our Series A convertible preferred stock were converted into 1,000,000 shares of common stock. Each share of Series B convertible preferred stock is currently convertible into 13.396 shares of common stock. Each share of Series C convertible preferred stock is currently convertible into 13.652 shares of common stock. Each share of Series D convertible preferred stock is currently convertible into 14.609 shares of common stock. Each share of Series E convertible preferred stock is currently convertible into 10.359 shares of common stock. Each share of Series F convertible preferred stock is currently convertible into 10.367 shares of common stock. We had a total of 1,232,354 shares of convertible preferred stock outstanding as of December 30, 2006, which were convertible into 15,590,309 shares of common stock at that date.

We also have a stockholder rights plan (the rights plan). The rights plan associates rights to our capital stock, such that each share of our common stock is entitled to one right and each share of our preferred stock is entitled to such number of rights equal to the number of common shares into which it is convertible. The rights will become exercisable only in the event that, with certain exceptions, an acquiring party accumulates 10 percent or more of our voting stock or if a party announces an offer to acquire 15 percent or more of our voting stock. When exercisable, each right entitles the holder to purchase from us one one-hundredth of a share of a new series of Series G junior preferred stock at an initial purchase price of \$2.00, subject to adjustment. In addition, upon the occurrence of certain events, holders of the rights would be entitled to purchase either iParty Corp. stock or shares in an acquiring entity at half of market value.

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The holders of our convertible preferred stock have a liquidation preference senior to the holders of our common stock. In the event of liquidation, which is defined to include a merger, acquisition, or similar transaction involving the acquisition of our company, our convertible preferred stockholders would be entitled to a liquidation value, which was \$18,040,525 at December 30, 2006. This amount is in excess of the carrying value of the preferred stock due to amounts allocated to warrants, which were issued in connection with certain issuances of our convertible preferred stock. The difference of approximately \$4.3 million will be accreted when and if a liquidation event occurs. The holders of our Series B-F convertible preferred stock are also entitled to anti-dilution protection in the event we issue common stock, or certain rights, including option activity in excess of certain amounts, to purchase or convert into common stock, at a price below their conversion prices.

The Series B-F preferred stockholders are entitled to participate in dividends when and if declared by our Board of Directors.

We have also issued warrants in connection with the issuance of certain convertible preferred stock and certain licensing, marketing, and financing arrangements, including the warrant issued to an accredited institutional investor on September 15, 2006. At December 30, 2006 we had 2,611,544 warrants outstanding with a weighted average exercise price of \$1.15, which were exercisable for 2,611,544 shares of our common stock. During 2005, warrants exercisable for 12,483,005 shares of our common stock that had been granted in conjunction with various series of our convertible preferred stock expired without being exercised.

Under our stock option plan we are authorized to grant options to purchase up to 11,000,000 shares of our common stock. At December 30, 2006, we had options outstanding that were exercisable for the purchase of 8,922,440 shares of common stock. On September 21, 2005, our board of directors approved the full acceleration of the vesting of each otherwise unvested stock option that had an exercise price of \$0.69 or greater that was currently held by any of our employees and officers. As a result, options to purchase approximately 1.0 million shares, including approximately 615,000 options held by our executive officers, became immediately exercisable. During our fourth fiscal quarter, on December 8, 2006, we entered into option cancellation agreements with three of our executive officers pursuant to which options that had been exercisable for a combined aggregate of 1,324,730 shares of our common stock at exercise prices of \$2.00 per share or greater were cancelled effective as of such date.

The following chart summarizes our capital structure as of the end of our fiscal year ended December 30, 2006.

| | Number of Shares/ Warrants/ Options Outstanding | Conversion/ Exercise Ratios | Total Common Shares Issued and Issuable(1) | Weighted Average Exercise Price per Common Share Issuable | Liquidation Value |
|--------------------------------------|---|-----------------------------------|---|---|----------------------|
| Common stock | 22,603,877 | | 22,603,877 | | \$ |
| Series B convertible preferred stock | 471,401 | 13.396 | 6,314,888 | | 9,428,024 |
| Series C convertible preferred stock | 100,000 | 13.652 | 1,365,200 | | 2,000,000 |
| Series D convertible preferred stock | 250,000 | 14.609 | 3,652,250 | | 5,000,000 |
| Series E convertible preferred stock | 296,667 | 10.359 | 3,073,168 | | 1,112,501 |
| Series F convertible preferred stock | 114,286 | 10.367 | | | |