

IPARTY CORP
Form PRE 14A
April 10, 2012

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

SCHEDULE 14A

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Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

iParty Corp.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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 - (4) Proposed maximum aggregate value of transaction:
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 - (1) Amount Previously Paid:
 - (2) Form, Schedule or Registration Statement No.:
 - (3) Filing Party:
 - (4) Date Filed:

iParty Corp.

270 Bridge Street, Suite 301

Dedham, MA 02026

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

The 2012 Annual Meeting of Stockholders of iParty Corp. will be held as follows:

Date: Wednesday, June 6, 2012

Time: 11:00 a.m., local time

Place: Posternak Blankstein & Lund LLP

Prudential Tower

800 Boylston Street, 33rd Floor

Boston, MA 02199

Matters to be voted on:

1. The election of four directors to serve until the 2013 Annual Meeting of Stockholders;
2. Approval of an amendment to iParty's Restated Certificate of Incorporation to effect a reverse stock split, pursuant to which the existing shares of iParty's common stock would be combined into new shares of iParty common stock at an exchange ratio ranging between one-for-five and one-for-twenty, with the exchange ratio to be determined by the Board of Directors (the **Reverse Stock Split**);
3. Ratification of the selection of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 29, 2012; and
4. Any other matters properly brought before the annual meeting or any adjournment thereof.

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The Board of Directors has fixed the close of business on April 10, 2012 as the record date for determining stockholders entitled to notice of and to vote at the annual meeting. Representation in person or by proxy of at least a majority of all outstanding shares of each class of stock entitled to vote at the meeting is required to constitute a quorum. Accordingly, it is important that your shares be represented at the annual meeting. The list of stockholders entitled to vote at the annual meeting will be available for examination by any stockholder at our offices at 270 Bridge Street, Suite 301, Dedham, MA 02026 for ten (10) days prior to June 6, 2012. Enclosed with the proxy statement for the meeting, you will find a copy of our Annual Report on Form 10-K for fiscal 2011.

Your vote at the meeting is very important to us regardless of the number of shares you own. Please vote your shares, whether or not you plan to attend the meeting, by completing the enclosed proxy card and returning it to us in the enclosed envelope. Should you want to change your vote prior to the annual meeting you may do so in accordance with the instructions contained in the accompanying proxy statement.

By Order of the Board of Directors,

DAVID ROBERTSON
Secretary

This notice, proxy statement, and form of proxy are being distributed on or about April 24, 2012.

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iParty Corp.

270 Bridge Street, Suite 301

Dedham, MA 02026

PROXY STATEMENT

for Annual Meeting of Stockholders to Be Held on June 6, 2012

GENERAL INFORMATION

Our Board of Directors (the **Board**) is furnishing you this proxy statement to solicit proxies on its behalf to be voted at the Annual Meeting of Stockholders of iParty Corp. (**iParty** or the **Company**). The meeting will be held at the offices of Posternak Blankstein & Lund LLP, at the Prudential Tower, 33rd Floor, 800 Boylston Street, Boston MA, 02199, on June 6, 2012, at 11:00 a.m., local time. The proxies also may be voted at any adjournments or postponements of the meeting.

The mailing address of our principal executive offices is iParty Corp., 270 Bridge Street, Suite 301, Dedham, MA, 02026. We are first furnishing the proxy materials to stockholders on or about April 24, 2012.

All properly executed written proxies that are delivered pursuant to this solicitation will be voted at the meeting in accordance with the directions given in the proxy, unless the proxy is revoked prior to completion of voting at the meeting.

Only owners of record of shares of common stock, Series B convertible preferred stock (**Series B Preferred Stock**), Series C convertible preferred stock (**Series C Preferred Stock**), Series D convertible preferred stock (**Series D Preferred Stock**), Series E convertible preferred stock (**Series E Preferred Stock**) and Series F convertible preferred stock (**Series F Preferred Stock**) and together with the Series B Preferred Stock, Series C Preferred Stock, Series D Preferred Stock and Series E Preferred Stock, the **Convertible Preferred Stock** of the Company at the close of business on April 10, 2012, the record date, are entitled to notice of and to vote at the meeting, or at any adjournments or postponements of the meeting.

QUESTIONS AND ANSWERS ABOUT THE MEETING AND VOTING

What is this document? This is the Notice of our 2012 Annual Meeting of Stockholders of iParty Corp. (**iParty** or the **Company**), and our Proxy Statement which provides important information for your use in voting your shares of our common stock, or our various series of Convertible Preferred Stock, at the annual meeting.

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Who can vote? You can vote your shares of common stock or your shares of Convertible Preferred Stock if our records show that you owned the shares at the close of business on April 10, 2012, which is the record date for the annual meeting. As of the record date, shares representing a total of 38,783,358 votes are eligible to vote at the meeting.

Common Stock. You are permitted one vote for each share of common stock you owned at the close of business on April 10, 2012, including (i) shares held in your name as a stockholder of record, and (ii) shares held in **street name** for you as the beneficial owner through a broker, trustee, or other nominee, such as a bank. Thus, as of April 10, 2012, there were 24,418,284 votes eligible to vote at the meeting associated with shares of common stock. The enclosed proxy card shows the number of shares you can vote.

Convertible Preferred Stock. Except as otherwise required by Delaware General Corporation Law, the Convertible Preferred Stock is entitled to vote together with the common stock on all matters to which the common stock is entitled to vote. When the Convertible Preferred Stock votes together with the common stock as one class, you are permitted one vote for each whole number of shares of our common stock into which the shares of Convertible Preferred Stock are convertible. Thus, as of April 10, 2012, the number of votes eligible to vote at the meeting were 5,455,554 votes associated with 419,658 shares of Series B Preferred Stock (you are permitted thirteen (13) votes for each share of Series B Preferred Stock), 1,300,000 votes associated with 100,000 shares of Series C

Preferred Stock (you are permitted thirteen (13) votes for each share of Series C Preferred Stock), 3,500,000 votes associated with 250,000 shares of Series D Preferred Stock (you are permitted fourteen (14) votes for each share of Series D Preferred Stock), 2,966,660 votes associated with 296,666 shares of Series E Preferred Stock (you are permitted ten (10) votes for each share of Series E Preferred Stock), and 1,142,860 votes associated with 114,286 shares of Series F Preferred Stock (you are permitted ten (10) votes for each share of Series F Preferred Stock).

In each such case, the number of votes is calculated based on the number of shares you owned at the close of business on April 10, 2012, including shares held in your name as a stockholder of record and shares held in **street name** for you as the beneficial owner through a broker, trustee, or other nominee, such as a bank. The enclosed proxy card shows the number of shares you can vote.

Special Voting Rights of Series C and Series D Preferred Stock with Respect to Election of Directors. So long as at least fifty percent (50%) of the initially issued shares of Series C Preferred Stock remains outstanding, the holders of the Series C Preferred Stock are entitled to vote alone for the election of a Series C Director. So long as at least fifty percent (50%), of the initially issued shares of Series D Preferred Stock remains outstanding, the holders of the Series D Preferred Stock are entitled to vote alone for the election of a Series D Director. The holders of the Series C and Series D Preferred Stock have each informed us that they will not be nominating directors for election at the annual meeting this year.

Special Voting Rights of the Convertible Preferred Stock. Under the various Certificates of Designations, each series of Convertible Preferred Stock has a separate class vote in the following instances:

- The creation and issuance of any series of preferred stock or other security which is senior as to liquidation and or dividend rights to such Convertible Preferred Stock; and
- An action that repeals, amends, or otherwise changes the Certificate of Designation or Certificate of Incorporation in a manner that would alter or change the powers, preferences, rights, privileges, restrictions and conditions of the particular class of Convertible Preferred Stock to adversely affect such class.

Unless otherwise specified in the Certificates of Designations, when voting as a separate class, you are permitted one vote for each share of Convertible Preferred Stock you owned at the close of business on April 10, 2012, including (i) shares held in your name as a stockholder of record, and (ii) shares held in **street name** for you as the beneficial owner through a broker, trustee, or other nominee, such as a bank.

How do I vote by proxy? Follow the instructions on the enclosed proxy card to vote on each proposal to be considered at the annual meeting. Sign and date the proxy card and mail it back in the enclosed envelope. The proxy holders named on the proxy card will vote your shares as you instruct. If you sign and return the proxy card but do not vote on a proposal, the proxy holders will vote for you on that proposal. Unless you instruct otherwise, the proxy holders will vote in accordance with the Board of Directors' recommendation below.

What is the purpose of the Reverse Stock Split? The primary purpose of the Reverse Stock Split is to increase proportionately the per share trading price of iParty's common stock. iParty's common stock is listed on the NYSE Amex. Under the NYSE Amex's listing standards, if the exchange considers iParty's common stock to be a low priced stock, iParty's common stock could be subject to a delisting notification. The

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exchange considers a low priced stock to be stock selling for a substantial period of time at a low price. Our common stock has not traded above \$1 per share since February 2005, and our price per share has ranged over the last year from a low of \$.11 per share to a high of \$.29 per share during the one year period ended April 10, 2012. If we were to receive a formal delisting notification letter from the NYSE Amex, to regain compliance we would need to effect a reverse stock split, which would require us to convene a special meeting of stockholders. Given the time and expense associated with convening a special meeting of stockholders, the Board of Directors has determined that it is most efficient to seek stockholder approval of the Reverse Stock Split at this Annual Meeting to avoid having to convene a special meeting at a later date.

We also believe that the increased market price of our common stock expected as a result of implementing a Reverse Stock Split may improve the marketability and liquidity of our common stock and

encourage interest and trading in our common stock. Because of the trading volatility often associated with low-priced stocks, many brokerage houses and institutional investors have internal policies and practices that either prohibit them from investing in low-priced stocks or tend to discourage individual brokers from recommending low-priced stocks to their customers. Some of those policies and practices may function to make the processing of trades in low-priced stocks economically unattractive to brokers. Moreover, because brokers' commissions on low-priced stocks generally represent a higher percentage of the stock price than commissions on higher-priced stocks, the current average price per share of common stock can result in individual stockholders paying transaction costs representing a higher percentage of their total share value than would be the case if the share price were substantially higher. Although it should be noted that the liquidity of our common stock may be harmed by the Reverse Stock Split given the reduced number of shares that would be outstanding after the Reverse Stock Split, our Board of Directors is hopeful that the anticipated higher market price will offset, to some extent, the negative effects on the liquidity and marketability of our common stock inherent in some of the policies and practices of institutional investors and brokerage houses described above.

What effect will the Reverse Stock Split have on me? On the date the amendment to our Restated Certificate of Incorporation effectuating the Reverse Stock Split is filed with the Secretary of State of the State of Delaware, referred to in this proxy statement as the effective date, the existing outstanding shares of our common stock would be combined into new shares of our common stock at an exchange ratio ranging from one-for-five to one-for-twenty, with the specific exchange ratio to be determined by us. This means that you would receive one new share of our common stock for each five to twenty shares of common stock that you currently hold, depending on the exchange ratio we determine. In addition, the conversion price of our Convertible Preferred Stock would be adjusted proportionally in accordance with the determined exchange ratio. Our Board of Directors believes that stockholder approval granting us discretion to set the actual exchange ratio within the range from one-for-five to one-for-twenty, rather than stockholder approval of a specified exchange ratio, provides us with maximum flexibility to react to then-current market conditions and volatility in the market price of our common stock in order to set an exchange ratio that is intended to result in a stock price in excess of \$1.00 per share with the intention of avoiding being considered a low-priced stock under NYSE Amex rules and therefore stockholder approval granting this discretion is in the best interests of iParty and its stockholders. However, there can be no assurance that the Reverse Stock Split will result in our common stock trading above \$1.00 per share or avoid being considered a low priced stock in the future or maintain compliance with the other quantitative and qualitative requirements under the NYSE Amex listing standards. The Reverse Stock Split would affect all stockholders uniformly and would not affect any stockholder's percentage ownership interest in iParty, except to the extent that the Reverse Stock Split would result in some of our stockholders owning a fractional share. You would receive cash in lieu of any fractional share that would otherwise be issuable.

Am I entitled to appraisal rights from the Reverse Stock Split? No. Under the Delaware General Corporation Law, stockholders are not entitled to appraisal rights with respect to the proposed amendment to our Restated Certificate of Incorporation to effect the Reverse Stock Split and we will not independently provide our stockholders with any such right.

What are the federal income tax consequences of the Reverse Stock Split? We expect that our stockholders generally will not recognize tax gain or loss as a result of the Reverse Stock Split. However, gain or loss will be recognized on the small amount of cash received in lieu of any fractional shares. Moreover, the tax consequences to each stockholder will depend on his or her particular situation. For further information, see the discussion on page 16 under the heading **Federal Income Tax Consequences of the Reverse Stock Split**.

Can our Board of Directors abandon the Reverse Stock Split? Our Board of Directors reserves the right, in its discretion, to abandon the Reverse Stock Split at any time prior to filing the amendment to our Restated Certificate of Incorporation with the Secretary of State of the State of Delaware.

How does the Board of Directors recommend that I vote on the proposals? The Board of Directors recommends that you vote:

FOR the election of all four nominees to serve as directors until the 2013 Annual Meeting of Stockholders;

FOR the approval of an amendment to iParty's Restated Certificate of Incorporation to effect a reverse stock split, pursuant to which the existing shares of iParty's common stock would be combined into new shares of iParty common stock at an exchange ratio ranging between one-for-five and one-for-twenty, with the exchange ratio to be determined by iParty's Board of Directors;

FOR the ratification of the selection of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 29, 2012.

What if other matters come up at the meeting? The matters described in this proxy statement are the only matters we know that will be voted on at the meeting. If other matters are properly presented at the meeting, the proxy holders will vote your shares in their discretion.

Can I change my vote after I return my proxy card? Yes. At any time before the annual meeting, you can change your vote either by sending our Chief Financial Officer, David E. Robertson, a written notice revoking your proxy card or by signing, dating, and returning to us a new proxy card. We will honor the proxy card with the latest date.

Can I vote in person at the meeting rather than by completing the proxy card? Although we encourage you to complete and return the proxy card even if you plan to attend the meeting to ensure that your vote is counted, you can always vote your shares in person at the meeting. If you are not a record holder, but hold your shares through a broker, trustee or other nominee, such as a bank, and wish to vote your shares in person at the annual meeting, please contact such nominee for instructions on how to vote your shares at the meeting.

Who will count the votes? The votes cast by holders of shares of our common stock and our Convertible Preferred Stock will be counted, tabulated and certified by the transfer agent and registrar of our Common Stock and Series B Preferred Stock, Continental Stock Transfer & Trust Co. David E. Robertson, our Chief Financial Officer, will serve as the inspector of elections at the annual meeting.

Will my vote be kept confidential? Yes, your vote will be kept confidential and we will not disclose your vote other than to allow the inspector of elections to certify the results of the vote, unless (1) required to do so by law (including in connection with the pursuit or defense of a legal or administrative action or proceeding), (2) a stockholder makes a written comment on the proxy card or otherwise communicates his or her vote to management, or (3) there is a contested election for the Board of Directors. The inspector of elections will forward any written comments that you make on the proxy card to our Board of Directors and Chief Executive Officer without providing your name, unless you expressly request disclosure on your proxy card.

What do I do if I am a beneficial owner and my shares are held in street name? If your shares are held in the name of your broker, a bank, or other nominee, that party will give you instructions for voting your shares, which should be enclosed with this document.

What constitutes a quorum? In order for business to be conducted at the meeting, a quorum must be present. The presence, in person or by proxy, of the holders of a majority of the outstanding shares of each class of stock entitled to vote at the annual meeting is necessary to constitute a quorum at the annual meeting.

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Shares of common stock and Convertible Preferred Stock represented in person or by proxy (including broker non-votes, if any, and shares that abstain or do not vote with respect to one or more of the matters to be voted upon) will be counted for the purpose of determining whether a quorum exists. Broker non-votes are those shares that are held in street name by a broker, bank, or other nominee that indicates on its proxy that it does not have discretionary authority to vote on a particular matter.

If a quorum is not present, the meeting will be adjourned until a quorum is obtained. Under our by-laws, notice need not be given of any such adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting, our stockholders may transact any business that might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, our by-laws require that a notice of the adjourned meeting be given to each stockholder of record entitled to vote at the meeting.

What is the voting requirement to approve each proposal? In the election of directors, the persons receiving the greatest number of **FOR** votes at the meeting will be elected.

The proposal to authorize the Reverse Stock Split requires the affirmative vote of a majority of the outstanding shares of our common stock and Convertible Preferred Stock, voting together as a single class, on an as converted basis.

The proposal to ratify the selection of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 29, 2012 requires the affirmative vote of a majority of the votes cast at the meeting by the holders of outstanding shares of all classes of our stock entitled to vote thereon who are present at the meeting either in person or by proxy.

Votes withheld for a particular director nominee will have no effect on the outcome of the election of directors. Abstentions and broker non-votes, if any, will have the same effect as a NO vote with respect to the approval of the Reverse Stock Split. Neither abstentions nor broker non-votes, if any, will have an effect on the voting for the ratification of the selection of Ernst & Young LLP as our independent registered public accounting firm.

What are broker non-votes ? If you hold shares beneficially in street name and do not provide your broker with voting instructions, your shares may constitute **broker non-votes**. Generally, broker non-votes occur on a matter when a broker is not permitted to vote on that matter without instructions from you, as the beneficial owner. Brokers, banks and other nominees may not be able to use their discretionary authority for the matters involving the election of directors and the Reverse Stock Split; however they may be able to use their discretionary authority for the matter involving the ratification of our independent registered public accounting firm for the fiscal year ended December 29, 2012.

Where can I find the voting results? We will announce the results of the voting at the annual meeting and report the voting results in a Current Report on Form 8-K (the **8-K**) filing which we are required to file with the Securities and Exchange Commission (**SEC**) within four business days after our Annual Meeting of Stockholders. The results will be contained in the 8-K, which will be available via Internet on the SEC's website, www.sec.gov and on the Investor Relations page of our website at www.iparty.com.

Who pays for this proxy solicitation? We do. In addition to sending you these materials, one of our officers, directors or employees may contact you by telephone, by mail, or in person. None of these persons will receive any extra compensation for doing this.

How and when may I submit a stockholder proposal for consideration at next year's annual meeting of stockholders or to recommend nominees to serve as directors? You may submit proposals, including director nominations, for consideration at future stockholder meetings.

Stockholder Proposals: If you are interested in submitting a proposal for inclusion in our proxy statement for next year's annual meeting, or would like to recommend a nominee for director, we must receive your written proposal at our principal executive offices no later than December 25, 2012, which is the 120th calendar day before the one-year anniversary of the proxy statement we are releasing to our stockholders for this year's annual meeting. If the date of next year's annual meeting (or special meeting in lieu of the annual meeting) is moved more than 30 days before or after the anniversary date of this year's meeting, the deadline for inclusion of proposals in our proxy statement will instead be a reasonable time before we begin to print and mail our proxy materials next year. Such proposals also will need to comply with SEC regulations under Rule 14a-8 (Shareholder Proposals) regarding the inclusion of stockholder proposals in company-sponsored proxy materials. Any

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proposals should be addressed to:

iParty Corp.
270 Bridge Street, Suite 301
Dedham, MA 02026
ATTN: David E. Robertson, Chief Financial Officer
Fax: (781) 326-7143

Except in the case of proposals made in accordance with SEC Rule 14a-8 (Shareholder Proposals), the Company's proxy holders are allowed to use their discretionary voting authority on stockholder proposals that the Company did not receive written notice of at least 45 days prior to the anniversary of the date on which the Company first mailed its proxy materials for its immediately preceding annual meeting of stockholders, which for the 2013 Annual Meeting of Stockholders is March 10, 2013.

Copy of By-Law Provisions: You may contact our Chief Financial Officer (Mr. Robertson) at our principal executive offices for a copy of the relevant by-law provisions regarding the requirements for making stockholder proposals. Our by-laws also are available on the Investor Relations page on our website at www.iparty.com.

How may I communicate with the board of directors or the non-management directors on the board of directors? You may submit an e-mail to our Board of Directors at bod@iparty.com. All directors have access to this e-mail address. Communications intended for our non-management independent directors should be directed to the attention of Frank Haydu, the Chairman of our Audit Committee, at fwh23@yahoo.com. You may report your concerns anonymously or confidentially.

Does iParty have a policy regarding the attendance of directors at the meeting? Our by-laws do not mandate that members of the Board of Directors attend the annual meeting of stockholders and we have no separate policy regarding such attendance.

How many directors attended last year's annual meeting? All of our directors were present in person at last year's annual meeting.

Does iParty have a code of conduct applicable to all directors, officers, and employees? Yes. In accordance with Section 406 of the Sarbanes-Oxley Act, Item 406 of SEC Regulation S-K, and Section 807 of the enhanced corporate governance rules of the NYSE Amex, we have adopted a code of business conduct and ethics that is applicable to all our directors, officers and employees and is available on the Investor Relations page on our website at www.iparty.com. Our written code of business conduct and ethics provides for an enforcement mechanism and requires that waiver of its provisions for any of our directors or officers must be approved by our Board of Directors. We are required to disclose any such waivers on the Investor Relations page of our corporate website at www.iparty.com.

Where can I see the Company's corporate documents and SEC filings? iParty's website contains its by-laws, the Board Committee charters, corporate governance guidelines, code of business conduct and ethics and the Company's SEC filings. To view the by-laws, the Board's Committee charters, corporate governance guidelines, or code of business conduct and ethics, go to www.iparty.com, and click on Investor Relations. To view iParty's SEC filings, including Forms 3, 4, and 5 filed by the Company's directors and executive officers, go to www.iparty.com, click on Investor Relations and then click on SEC Filings.

iParty will also promptly deliver free of charge, upon request, a copy of the Company's Restated Certificate of Incorporation, by-laws, Board Committee charters, corporate governance guidelines or the code of business conduct and ethics to any stockholder requesting a copy. Requests for these documents may be made in the same manner as requests for a copy of iParty's Annual Report on Form 10-K.

How can I obtain an annual report on Form 10-K? A copy of our Annual Report on Form 10-K for the year ended December 31, 2011 (the 2011 Annual Report on Form 10-K) is enclosed with this proxy statement. Stockholders may request another free copy of our proxy statement and our 2011 Annual Report on Form 10-K by email to investorrelations@iparty.com, by toll free telephone at 888-290-2945, or by making a written or oral request to:

iParty Corp.

270 Bridge Street, Suite 301

Dedham, MA 02026

ATTN: David E. Robertson, Chief Financial Officer

Telephone: (781) 329-3952

Our proxy statement and Annual Report on Form 10-K for fiscal 2011 are also available on the Investor Relations page of our website at www.iparty.com, as noted below, and the SEC's website at www.sec.gov.

Where can I get directions to the meeting? The meeting will be held in the offices of Posternak Blankstein & Lund LLP on the 33rd floor of the Prudential Tower, 800 Boylston Street, Boston, MA. Directions to the meeting location are available at www.pbl.com.

Who should I contact if I have any questions? If you have any questions about the annual meeting or any matters relating to this proxy statement, please contact David E. Robertson, our Chief Financial Officer, at the address and telephone number above.

Important Notice of Internet Availability of Proxy Materials for the Annual Meeting

This proxy statement and our 2011 Annual Report are available at www.iparty.com/proxy. This web page does not have cookies that identify visitors to the web page.

ITEMS TO BE ACTED ON AT THE MEETING

PROPOSAL NO. 1

ELECTION OF DIRECTORS

Our entire Board of Directors, to consist of four (4) members, will be elected at the meeting. Each nominee for director currently serves on our Board of Directors. The directors elected will hold office until their successors are elected and qualified, which should occur at the next annual meeting or special meeting in lieu thereof, in accordance with our by-laws.

We have no reason to believe that any of the nominees listed below will not be a candidate or will be unable to serve as a director. However, in the event any nominee is not a candidate or is unable or unwilling to serve as a director at the time of the election, the Board of Directors (on recommendation of the Nominating Committee) may either propose to reduce the number of directors or propose a substitute nominee.

Under the Certificate of Designations-Series C, for so long as at least 50% of the initially issued shares of Series C Preferred Stock remain outstanding, the holders of the Series C Preferred Stock have the exclusive right, voting separately as a class, to elect one director of the Company (the **Series C Director**). The holders of the Series C Preferred Stock have not elected to designate a Series C Director at the 2012 Annual Meeting of Stockholders.

Under the Certificate of Designations-Series D, for so long as at least 50% of the initially issued shares of Series D Preferred Stock remain outstanding, the holders of the Series D Preferred Stock have the exclusive right, voting separately as a class, to elect one director of the Company (the **Series D Director**). The holders of the Series D Preferred Stock have not elected to designate a Series D Director at the 2012 Annual Meeting of Stockholders.

The Board recommends that you vote FOR each of the following nominees:

- Sal V. Perisano
- Daniel I. DeWolf
- Frank W. Haydu III
- Joseph S. Vassalluzzo

Biographical information about each of these nominees can be found on pages 21 through 22 of this proxy statement.

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Unless you specify otherwise, the Board intends the accompanying proxy to be voted for these nominees. Thus, unless you withhold authority or your proxy contains contrary instructions, a properly signed and dated proxy will be voted **FOR** the election of these nominees. Votes withheld will not affect the outcome of the voting with respect to the election of any nominee.

PROPOSAL NO. 2

AMENDMENT OF iPARTY'S RESTATED CERTIFICATE OF INCORPORATION TO EFFECT A REVERSE STOCK SPLIT OF ITS OUTSTANDING COMMON STOCK

General

We are asking our stockholders to approve an amendment to iParty's Restated Certificate of Incorporation in the form set forth in **Exhibit A** to this Proxy Statement (the **Amendment**) providing for a reverse stock split of iParty's outstanding common stock (the **Reverse Stock Split** or **reverse split**), which the Board of Directors, in its discretion, would be authorized to implement at any time prior to our 2013 Annual Meeting of Stockholders, with an exchange ratio ranging from one-for-five to one-for-twenty (each an **Exchange Ratio** and collectively, the **Exchange Ratios**).

A vote **FOR** Proposal No. 2 will constitute your approval of the Amendment and the authorization of the Board of Directors, in its discretion, to effect a Reverse Stock Split at one of the Exchange Ratios. This means that if the Reverse Stock Split is effected, you would receive one new share of our common stock for each five to twenty shares of common stock that you currently hold, depending on the exchange ratio we determine. In addition, under our Restated Certificate of Incorporation, each of the series of Convertible Preferred Stock would receive a corresponding adjustment in their conversion ratios to reflect the Reverse Stock Split.

If stockholders approve Proposal No. 2, the Board of Directors will have the authority, but not the obligation, to effect the Reverse Stock Split at any time prior to the date of the 2013 Annual Meeting of Stockholders, without further approval or authorization of stockholders. If the Board of Directors elects to effect a Reverse Stock Split pursuant to one of the Exchange Ratios, the Board of Directors will be deemed to have abandoned its authorization related to the other Exchange Ratios.

If Proposal No. 2 is approved by the stockholders, the Reverse Stock Split will be effected, if at all, only upon a determination by the Board of Directors that implementing a Reverse Stock Split is in the best interests of iParty and its stockholders. The determination as to whether the Reverse Stock Split will be effected and, if so, pursuant to which Exchange Ratio, will be based upon those market or business factors deemed relevant by the Board of Directors at that time, including, but not limited to:

- existing and expected marketability and liquidity of iParty's common stock;
- prevailing stock market conditions;
- business developments affecting iParty;
- iParty's actual or forecasted results of operations;
- listing standards under NYSE Amex; and

- the likely effect on the market price of iParty's common stock.

Our Board of Directors believes that stockholder approval granting us discretion to set the actual exchange ratio within the range of the Exchange Ratios, rather than stockholder approval of a specified exchange ratio, provides us with maximum flexibility to react to then-current market conditions and volatility in the market price of our common stock in order to set an exchange ratio that is intended to result in a stock price in excess of \$1.00 per share to avoid being considered a low priced stock by the NYSE Amex, and therefore, is in the best interests of iParty and its stockholders. However, there can be no assurance that the Reverse Stock Split will result in our common stock trading above \$1.00 for any significant period of time. If the Board of Directors determines to implement the Reverse Stock Split, we intend to issue a press release announcing the terms and effective date of the Reverse Stock Split before we file the Amendment with the Secretary of State of the State of Delaware.

On April 6, 2012, the Board of Directors adopted resolutions declaring advisable and approving the Amendment, subject to stockholder approval, and authorizing any other action that the Board of Directors may deem necessary to implement the Reverse Stock Split, without further approval or authorization of stockholders, at any time prior to the date of the 2013 Annual Meeting of Stockholders. Under iParty's Restated Certificate of Incorporation, approval of the Amendment requires the affirmative vote of a majority of the outstanding shares of

our common stock and Convertible Preferred Stock entitled to vote on the matter, voting together as a single class on an as converted basis.

Purpose of the Reverse Stock Split

The primary purpose of the Reverse Stock Split is to increase proportionately the per share trading price of our Common Stock. Our Common Stock is listed on the NYSE Amex. Under the NYSE Amex's listing standards, if the exchange considers our Common Stock to be a low-priced stock, our Common Stock could be subject to a delisting notification. The exchange considers a low-priced stock to be stock selling for a substantial period of time at a low price. Our common stock has not traded above \$1 per share since February 2005, and our price per share has ranged from a low of \$.11 per share to a high of \$.29 per share for the twelve month period ended April 10, 2012. If we were to receive a formal delisting notification letter from the NYSE Amex, to regain compliance we would need to effect a reverse stock split, which would require us to convene a special meeting of stockholders. Given the time and expense associated with convening a special meeting of stockholders, the Board of Directors has determined that it is most efficient to seek stockholder approval of a potential future Reverse Stock Split at this Annual Meeting to avoid having to convene a special meeting at a later date.

As noted above, if we were to receive a delisting notice and we were unable to regain compliance in the appropriate time, we could be subject to delisting. Delisting could have a material adverse effect on our business, liquidity and on the trading of our Common Stock. If our Common Stock were delisted, our Common Stock could trade on the OTC Bulletin Board or on the OTC markets or pink sheets maintained by the OTC Markets Group. However, such alternates are generally considered to be less efficient markets. Further, delisting from the NYSE Amex could also have other negative effects, including potential loss of confidence by customers, suppliers and employees.

We also believe that the increased market price of our Common Stock expected as a result of implementing the Reverse Stock Split may improve the marketability and liquidity of our Common Stock and encourage interest and trading in our Common Stock. Because of the trading volatility often associated with low-priced stocks, many brokerage houses and institutional investors have internal policies and practices that either prohibit them from investing in low-priced stocks or tend to discourage individual brokers from recommending low-priced stocks to their customers. Some of those policies and practices may function to make the processing of trades in low-priced stocks economically unattractive to brokers. Moreover, because brokers' commissions on low-priced stocks generally represent a higher percentage of the stock price than commissions on higher-priced stocks, the current average price per share of common stock can result in individual stockholders paying transaction costs representing a higher percentage of their total share value than would be the case if the share price were substantially higher. Although it should be noted that the liquidity of our Common Stock may be harmed by the Reverse Stock Split given the reduced number of shares that would be outstanding after the Reverse Stock Split, our Board of Directors is hopeful that the anticipated higher market price will offset, to some extent, the negative effects on the liquidity and marketability of our Common Stock inherent in some of the policies and practices of institutional investors and brokerage houses described above.

Board Discretion to Implement the Reverse Stock Split

If Proposal No. 2 is approved by our stockholders, the Reverse Stock Split will be effected, if at all, only upon a determination by the Board of Directors that the Reverse Stock Split is in the best interests of iParty and its stockholders. The Board of Directors' determination as to whether the Reverse Stock Split will be effected and, if so, at which Exchange Ratio, will be based upon certain factors, including existing and expected marketability and liquidity of our Common Stock, prevailing stock market conditions, business developments affecting us, actual or forecasted results of operations and the likely effect on the market price of our Common Stock, and the listing standards of the NYSE Amex. If the Board does not implement the Reverse Stock Split prior to the date of the 2013 Annual Meeting of Stockholders, the authorization granted by stockholders pursuant to this Proposal No. 2 would be deemed abandoned and without any further effect. In that case, the Board of Directors may again seek stockholder approval at a future date for the Reverse Stock Split if it deems it to be advisable.

Effect of the Reverse Stock Split

If approved by our stockholders and implemented by the Board of Directors, as of the effective time of the Amendment, each issued and outstanding share of our Common Stock would immediately and automatically be reclassified and reduced into a fewer number of shares of our Common Stock, depending upon the Exchange Ratio selected by the Board of Directors, which could range between one-for-five and one-for-twenty.

Except to the extent that the Reverse Stock Split would result in any stockholder receiving cash in lieu of fractional shares described below, the Reverse Stock Split will not:

- affect any stockholder's percentage ownership interest in us;
- affect any stockholder's proportionate voting power;
- substantially affect the voting rights or other privileges of any stockholder, unless the stockholder holds fewer than the number of shares selected among the Exchange Ratios, in which case, depending upon the Exchange Ratio, such stockholder would receive cash for all of his or her Common Stock held before the Reverse Stock Split and would cease to be an iParty stockholder following the Reverse Stock Split; or
- alter the relative rights of common stockholders, Convertible Preferred Stockholders, warrant holders or holders of equity compensation plan awards.

Depending upon the Exchange Ratio selected by the Board of Directors, the principal effects of the Reverse Stock Split are:

- the number of shares of Common Stock issued and outstanding will be reduced by a factor ranging between five and twenty;
- the per share exercise price will be increased by a factor between five and twenty, and the number of shares issuable upon exercise shall be decreased by the same factor, for all outstanding options, warrants and other convertible or exercisable equity instruments entitling the holders to purchase shares of our common stock;
- the number of shares authorized and reserved for issuance under our existing equity compensation plans will be reduced proportionately; and
- The conversion rates for holders of our Convertible Preferred Stock will be adjusted proportionately.

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The following table contains approximate information relating to our Common Stock, Convertible Preferred Stock, our outstanding warrants and outstanding options under our 1998 Plan and 2009 Plan, under various proposed options:

	Pre Reverse Split	1 for 5	1 for 7	1 for 10	1 for 15	1 for 20
Authorized Common Stock	150,000,000	150,000,000	150,000,000	150,000,000	150,000,000	150,000,000
Outstanding Common Stock	24,408,594	4,881,672	3,486,399	2,440,792	1,626,770	1,220,308
Reserved for issuance under 1998 Plan and 2009 Plan	8,033,794	1,606,750	1,147,593	803,369	535,492	401,676
Reserved for Issuance Under Warrants	100,000	20,000	14,285	10,000	6,666	5,000
Reserved for issuance under Series B	5,631,786	1,126,338	804,508	563,146	375,421	281,551
Reserved for issuance under Series C	1,315,800	263,160	187,971	131,580	87,720	65,790
Reserved for issuance under Series D	3,516,250	703,250	502,321	351,625	234,416	175,812
Reserved for issuance under Series E	3,073,163	614,632	439,022	307,316	204,877	153,657
Reserved for issuance under Series F	1,184,803	236,960	169,257	118,480	78,986	59,240

If the Reverse Stock Split is implemented, the Amendment will not reduce the number of shares of our Common Stock or Preferred Stock authorized under our Restated Certificate of Incorporation.

Our Common Stock is currently registered under Section 12(b) of the Securities Exchange Act of 1934, as amended, and we are subject to the periodic reporting and other requirements thereof. Following the effective time of the Reverse Stock Split, we will continue to be subject to these periodic reporting and other requirements.

Fractional Shares

Stockholders will not receive fractional shares in connection with the Reverse Stock Split. Instead, stockholders otherwise entitled to fractional shares will receive a cash payment in lieu thereof in an amount equal to the average closing sales price of our common stock as reported on the NYSE Amex for the four trading days preceding the effective date of the Reverse Stock Split multiplied by the amount of fractional shares they hold. Stockholders will not be entitled to receive interest for the period of time between the effective date of the Reverse Stock Split and the date the stockholder receives his or her cash payment. The proceeds will be subject to certain taxes as discussed below.

Stockholders holding fewer than the chosen Exchange Ratio will receive only cash in lieu of fractional shares and will no longer hold any shares of our Common Stock as of the effective time of the Amendment. For example, if the Board of Directors effected a one-for-twenty split, and you held nineteen shares of our Common Stock immediately prior to the effective date of the Amendment, you will no longer hold any shares of iParty Common Stock and you will receive only the cash for the value of the nineteen shares of our Common Stock you

held immediately prior to the effective date of the Amendment. Assuming the same one-for-twenty Reverse Stock Split, if you held twenty-three shares of our Common Stock immediately prior to the effective date of the Amendment, you would receive one new share of our Common Stock and cash in lieu of fractional shares for the three shares of our Common Stock that you held immediately prior to the effective date of the Amendment.

Effective Time and Implementation of the Reverse Stock Split

The effective time for the Reverse Stock Split will be the date on which we file the Amendment with the office of the Secretary of State of the State of Delaware or such later date and time as specified in the Amendment, provided that the effective date must precede the date of the 2013 Annual Meeting of Stockholders.

As soon as practicable after the filing of the Amendment, we intend to notify stockholders and request that they surrender to our transfer agent their certificates representing shares of pre-reverse split iParty Common Stock, so that certificates representing the applicable number of shares of post-reverse split common stock, together with any cash payment in lieu of fractional shares, may be issued in exchange therefor. We expect to adopt a new stock certificate in connection with any implementation of the Reverse Stock Split.

STOCKHOLDERS SHOULD NOT DESTROY ANY STOCK CERTIFICATE(S) AND SHOULD NOT SUBMIT ANY STOCK CERTIFICATE(S) UNTIL REQUESTED TO DO SO.

Accounting Matters

The Reverse Stock Split will not affect the par value of a share of our Common Stock. However, at the effective time of the Reverse Stock Split, the stated capital attributable to common stock on our balance sheet will be reduced proportionately based on the Exchange Ratio (including a retroactive adjustment of prior periods), and the additional paid-in capital account will be credited with the amount by which the stated capital is reduced. Reported per share net income or loss would be expected to be proportionally higher because there will be fewer shares of our Common Stock outstanding.

No Appraisal Rights

Under the Delaware General Corporation Law, our stockholders are not entitled to appraisal rights with respect to the Reverse Stock Split.

Certain Risks Associated with the Reverse Stock Split

Before voting on this Proposal No. 2, you should consider the following risks associated with the implementation of the Reverse Stock Split:

- The price per share of our Common Stock after the Reverse Stock Split may not reflect the Exchange Ratio implemented by the Board of Directors and the price per share following the effective time of the Reverse Stock Split may not be maintained for any period of time following the Reverse Stock Split. For example, based on the closing price of our Common Stock on April 10, 2012 of \$0.17 per share, if the Reverse Stock Split was implemented at an Exchange Ratio of 1-for-20, there can be no assurance that the post-split trading price of iParty's common stock would be \$3.40, or even that it would remain above the pre-split trading price. Accordingly, the total market capitalization of our Common Stock following a Reverse Stock Split may be lower than before the Reverse Stock Split.
- Following the Reverse Stock Split, we may still run the risk of being considered a low priced stock under the listing standards of the NYSE Amex, which could cause the Company to be delisted.
- Effecting the Reverse Stock Split may not attract institutional or other potential investors, or result in a sustained market price that is high enough to overcome the investor policies and practices, and other issues relating to investing in lower priced stock described in **Purpose of the Reverse Stock Split** above.

- The trading liquidity of our Common Stock could be adversely affected by the reduced number of shares outstanding after the Reverse Stock Split.

- If a Reverse Stock Split is implemented by the Board, some stockholders may consequently own less than 100 shares of our Common Stock. A purchase or sale of less than 100 shares (an **odd lot** transaction) may result in incrementally higher trading costs through certain brokers, particularly full service brokers. Therefore, those stockholders who own fewer than 100 shares following the Reverse Stock Split may be required to pay higher transaction costs if they should then determine to sell their shares of iParty common stock.

Federal Income Tax Consequences of the Reverse Stock Split

A summary of the federal income tax consequences of the proposed Reverse Stock Split to individual stockholders is set forth below. It is based upon present federal income tax law, which is subject to change, possibly with retroactive effect. The discussion is not intended to be, nor should it be relied on as, a comprehensive analysis of the tax issues arising from or relating to the proposed Reverse Stock Split. In addition, we have not requested and will not seek an opinion of counsel or a ruling from the Internal Revenue Service regarding the federal income tax consequences of the proposed Reverse Stock Split. Accordingly, stockholders are advised to consult their own tax advisors for more detailed information regarding the effects of the proposed Reverse Stock Split on them under applicable federal, state, local and foreign income tax laws.

- We believe that the Reverse Stock Split will be a tax-free recapitalization for federal income tax purposes. Accordingly, except with respect to any cash received in lieu of fractional shares, a stockholder will not recognize any gain or loss as a result of the receipt of the post-reverse split common stock pursuant to the Reverse Stock Split.

- The shares of post-reverse split common stock in the hands of a stockholder will have an aggregate basis for computing gain or loss equal to the aggregate basis of the shares of pre-reverse split common stock held by that stockholder immediately prior to the Reverse Stock Split, reduced by the basis allocable to any fractional shares which the stockholder is treated as having sold for cash, as discussed in the fifth bullet below.

- A stockholder's holding period for the post-reverse split common stock will include the holding period of the pre-reverse split common stock exchanged.

- Stockholders who receive cash for all of their holdings (as a result of owning fewer than the number in the Exchange Ratio selected by the Board of Directors) and who are not related to any person or entity that holds our Common Stock immediately after the Reverse Stock Split, will recognize a gain or loss for federal income tax purposes equal to the difference between the cash received and their basis in the pre-reverse split common stock. Such gain or loss will generally be a capital gain or loss if the stock was held as a capital asset, and such capital gain or loss will be a long-term gain or loss to the extent that the stockholder's holding period exceeds 12 months.

- Although the tax consequences to stockholders who receive cash for fractional shares are not entirely certain, these stockholders likely will be treated for federal income tax purposes as having sold their fractional shares and will recognize gain or loss in an amount equal to the difference between the cash received and the portion of their basis for the pre-reverse split common stock that is allocated to the fractional

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shares. It is possible that such stockholders will be treated as receiving dividend income to the extent of their ratable share of our current and accumulated earnings and profits (if any) and then a tax-free return of capital to the extent of their aggregate adjusted tax basis in their iParty shares, with any remaining amount of cash received being treated as capital gain.

- Stockholders who receive cash will be required to provide their social security or other taxpayer identification numbers (or, in some instances, additional information) in connection with the Reverse Stock Split to avoid backup withholding requirements that might otherwise apply. Failure to provide such information may result in backup withholding at a rate of 28%.

Recommendation of the Board of Directors

The Board of Directors recommends that you vote **FOR** the amendment to our Restated Certificate of Incorporation to effect the Reverse Stock Split in accordance with this Proposal No. 2. Unless you specify otherwise, the Board intends the accompanying proxy to be voted for this Proposal No. 2.

PROPOSAL NO. 3

TO RATIFY THE SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Our Audit Committee has selected the independent registered public accounting firm of Ernst & Young LLP (**E&Y**) to examine and audit our financial statements for the year ending December 29, 2012. A resolution to ratify this selection will be presented at the meeting.

Stockholder ratification of the selection of E&Y is not required under our by-laws or Delaware General Corporation law. Although not required to do so, the Board is submitting the selection of E&Y for ratification by iParty's stockholders for their views, as a matter of good corporate governance. If the stockholders do not ratify the selection, the Audit Committee will consider the engagement of other independent auditors and whether to retain E&Y for the audit of our financial statements for the year ending December 29, 2012, but may ultimately determine to retain E&Y. However, the Audit Committee retains the ultimate discretion to appoint or terminate the appointment of our independent registered public accounting firm, irrespective of the outcome of this Proposal No. 3. E&Y has been our independent auditor for over eight years, including for fiscal year 2011.

We expect that one or more representatives of E&Y will be present at the annual meeting. They will be afforded an opportunity to make a statement at the annual meeting if they desire to do so and to respond to appropriate questions by stockholders.

E&Y has advised us that it has no direct, nor any indirect, financial interest in iParty or any of its subsidiaries.

This Proposal No. 3 to ratify the selection of E&Y as our independent registered public accounting firm for fiscal 2012 requires the affirmative vote of a majority of the votes cast at the meeting by the holders of outstanding shares of all classes of our stock entitled to vote thereon who are present at the meeting either in person or by proxy.

The Board recommends that you vote **FOR** this Proposal No. 3 to ratify the selection of Ernst & Young LLP.

Unless you specify otherwise, the Board intends the accompanying proxy to be voted for this Proposal No. 3.

Information about the fees and services we paid to E&Y in 2010 and 2011 is contained on page 36 of this proxy statement.

OWNERSHIP OF IPARTY STOCK

The following table shows the number of shares of our common stock and each series of our Convertible Preferred stock beneficially owned as of April 10, 2012 by:

- each person or entity that we believe beneficially owns more than 5% of our common stock or any series of our Convertible Preferred Stock,
- each director and nominee for director,
- each executive officer shown in the summary compensation table on **page 29** below, and
- all executive officers and directors as a group.

Name of Beneficial Owner (1)	Common Stock		Series of Convertible Preferred Stock	Convertible Preferred Stock	
	Number of Shares (2)	Percent of Class		Number of Shares	Percent of Class
<u>5% Stockholders</u>					
Estate of Robert H. Lessin (deceased)	10,579,243(3)	32.5%	Series B	137,500	32.8%
c/o Eric Rosenthal, CPA			Series D	250,000	100.0%
Press Shonig Rosenthal			Series E	266,666	89.9%
500 Bi County Road, Suite 201					
Farmingdale NY 11735					
Roccia Partners, L.P.	2,995,431(4)	11.1%	Series B	179,610	42.8%
c/o Lorenzo Roccia			Series E	30,000	10.1%
220 East 67th Street					
New York, NY 10021					
Naida S. Wharton	2,474,100(5)	10.1%			
c/o Eric Rosenthal, CPA					
Press Shonig Rosenthal					
500 Bi County Road, Suite 201					
Farmingdale NY 11735					
Boston Millennia Partners, LP	1,315,800(6)	5.1%	Series C	100,000	100.0%

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30 Rowes Wharf, Suite 500

Boston, MA 02110

Peter S. Lynch	1,453,841(7)	6.0%		
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82 Devonshire Street, S4

Boston MA 02109

Patriot Capital Limited	1,184,803(8)	4.6%	Series F	114,286	100.0%
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c/o Stephen Rasch

Loeb, Block and Partners LLP

505 Park Avenue

New York, NY 10022

Directors, Nominees for Director, and

Executive Officers

Sal V. Perisano	4,248,222(9)	15.6%		
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Dorice P. Dionne	4,248,222(10)	15.6%		
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David Robertson	461,117(11)			
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