

PARTY CITY CORP
Form 8-K
December 23, 2005

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On December 23, 2005, in connection with the Merger, the Company terminated each of its 1999 Stock Incentive Plan, its Employee Stock Purchase Plan, its Management Stock Purchase Plan and the Amended and Restated 1994 Stock Option Plan and Stock Option Agreement with Non-Employee Directors (collectively, the Equity Incentive Plans). Under the Equity Incentive Plans, awards or options to purchase shares of the Company's common stock, par value \$0.01 per share were granted to employees and directors of the Company. Options issued pursuant to the Equity Incentive Plans were cancelled prior to the Merger in exchange for the spread between \$17.50 and their applicable exercise price.

Item 3.01 Notice of Delisting or Failure to Satisfy a Continued Listing Rule or Standard; Transfer of Listing.

In connection with the closing of the Merger, the Company notified the NASDAQ National Market on December 23, 2005 that each share of the Company's common stock, par value \$0.01 per share, issued and outstanding immediately prior to the effective time of the Merger (the Common Stock), was canceled and automatically converted into the right to receive \$17.50 in cash, without interest and less any applicable withholding taxes, and requested that the NASDAQ National Market file with the Securities and Exchange Commission an application on Form 25 report that the shares of Common Stock are no longer listed on the NASDAQ National Market.

Item 3.03 Material Modification to Rights of Security Holders

Pursuant to the Merger Agreement, each share of the Common Stock was canceled and automatically converted into the right to receive \$17.50 in cash, without interest and less any applicable withholding taxes.

Item 5.01 Changes in Control of Registrant

On December 23, 2005, pursuant to the terms of the Merger Agreement, Merger Sub was merged with and into Party City, with Party City continuing after the Merger as the surviving corporation and a wholly owned subsidiary of AHI. As a result of the Merger, Party City is 100% owned by AHI. AHI is held indirectly by funds affiliated with Berkshire Partners LLC and Weston Presidio.

The aggregate purchase price paid for all of the shares of the Common Stock and options to purchase shares of the Common Stock in the Merger was approximately \$364 million. The aggregate purchase price and related fees and expenses were funded by the new credit facilities of AHI, as well as by equity financing from funds affiliated with Berkshire Partners LLC and Weston Presidio and AHI management.

A copy of the press release issued jointly by Party City and AHI on December 23, 2005, announcing the consummation of the Merger is attached as Exhibit 99.1 hereto and is incorporated herein by reference.

Item 5.02 Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers.

By action of the Merger, each of Ralph D. Dillon, Michael E. Tennenbaum, L.R. Jalenak, Jr., Franklin R. Johnson, Howard Levkowitz and Walter Salmon were replaced as directors of Party City and the existing directors of Merger Sub became the directors of Party City.

Item 5.03 Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year.

The Company's Articles of Incorporation were amended and restated through operation of the Merger and the indemnification obligations of the Company towards its directors and officers were preserved.

Item 8.01 Other Events

On December 23, 2005, the Company issued a press release announcing the consummation of its merger with Merger Sub.

A copy of the press release is attached hereto as Exhibit 99.1 and incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits

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(c) Exhibits

See Exhibit Index attached hereto.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: December 23, 2005

PARTY CITY CORPORATION

By: /s/ Gregg A. Melnick

Name: Gregg A. Melnick

Title: Chief Financial Officer

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EXHIBIT INDEX

Exhibit Number	Description
99.1	Press Release dated December 23, 2005