

PARTY CITY HOLDCO INC.

CORPORATE GOVERNANCE GUIDELINES

The Board of Directors (the “Board”) of Party City Holdco Inc. (the “Company”) has adopted the Corporate Governance Guidelines (the “Guidelines”) below to assist the Board in serving the best interests of the Company and its stockholders. The Guidelines are intended to be a framework for the conduct of the Board’s business, and are not a set of legally binding obligations. These Guidelines may be modified by the Board from time to time upon recommendation of the Company’s Nominating and Corporate Governance Committee (the “Nominating Committee”).

SELECTION AND COMPOSITION OF BOARD

Size of the Board

The Company’s Amended and Restated Certificate of Incorporation provides that the number of directors of the Company shall be not less than three nor more than 15 directors with the exact number to be fixed by the Board from time to time. The Company believes a board should be small enough to permit thorough discussion of issues but large enough to provide a mix of perspectives and properly staff all Board committees. The Nominating Committee will periodically review and recommend to the Board the appropriate size and mix of the Board in light of the Company’s need for particular expertise, skills, perspectives and competencies.

Selection of New Directors

The Board has delegated to the Nominating Committee the task of identifying, reviewing and selecting or recommending a slate of director nominees to be proposed by the Board to the stockholders, and recommending any director nominees to be elected by the Board to fill interim vacancies.

Director Independence

As long as the Company is a “controlled company” under the New York Stock Exchange rules, the majority of the Board does not need to be independent. Once the Company is no longer a “controlled company” under the New York Stock Exchange rules, the Board must be comprised of a majority of directors that are independent. In addition, within one year from the closing of the initial public offering of the Company’s common stock, all members of the Audit Committee must satisfy the independence requirements of the Sarbanes-Oxley Act of 2002, and accordingly may not receive, directly or indirectly, any fees from the Company or any Company subsidiary other than those described below under “Board Compensation Policy and Stock Ownership” and may not be “affiliated persons” (as defined in Rule 10A-3 under the Exchange Act) of the Company. All independent directors shall have regularly scheduled meetings.

Non-Independent Directors

The Board believes that the service of our Chief Executive Officer (the “CEO”) and Executive Chairman, although they do not meet the above definition of independence, has been valuable. As a “controlled company” under the New York Stock Exchange rules, the Board is not required to be comprised of a majority of independent directors. The Board believes that it may be beneficial to the discharge of their duties as directors for managers that do not serve on the Board to nonetheless attend Board meetings on a regular basis. It is understood, however, that all matters of corporate governance will be decided by the directors.

Separation of Board Chairman and CEO

The Board does not have a fixed policy regarding the separation of the offices of Chairman of the Board and CEO and believes that it should maintain the flexibility to select the Chairman of the Board and its Board leadership structure, from time to time, based on the criteria that it deems to be in the best interests of the Company and its stockholders

Selection of Chairman

The Board may appoint a Chairman of the Board. In the absence of such appointment, the Chief Executive Officer will be the Chairman for Board and Stockholder meetings.

Lead Director

If the Chairman is not an independent director, the non-management directors shall elect one of the independent directors as Lead Director. Responsibilities of the Lead Director shall include:

- (i) Presiding over the executive session of the non-management directors;
- (ii) Coordinating the agenda for the executive sessions of non-management directors;
- (iii) Providing feedback to the Chairman and Chief Executive Officer on discussions in executive sessions;
- (iv) Reviewing and providing input to the agenda for each meeting of the Board;
- (v) Providing advice and counsel to the Chairman and Chief Executive Officer; and
- (vi) Handling other duties as specified by the Board.

Board Membership Criteria

The Nominating Committee is responsible for reviewing with the entire Board from time to time the appropriate skills and characteristics required of directors in the context of the current make-up of the Board. It is the policy of the Board that directors should possess strong personal and professional ethics, integrity and values; be business savvy and genuinely interested in the Company; and be committed to representing the long-term interests of the stockholders. The Board is also intended to encompass a range of talents, ages, skills, diversity, and expertise sufficient to provide sound and prudent oversight with respect to the operations and interests of the business.

Directors Who Change Their Present Job Responsibility

A director who retires or otherwise changes from the principal occupation or principal background association held when the director was originally invited to join the Board will offer to tender his or her resignation from the Board by submitting such offer in writing to the Nominating Committee. Upon receipt of such notice, the Nominating Committee will recommend to the Board whether it believes that the change in the director's status would not inhibit the director's ability to continue to serve the best interests of the Company and its stockholders, or whether it believes that the Board should accept the director's offer to tender his or her resignation. In addition, when the CEO no longer holds the CEO position, he or she must offer to tender his or her resignation from the Board.

Joining New Boards or Other Associations

The Company expects that each of its directors will be able to dedicate the time and resources sufficient to ensure the diligent performance of his or her duties on the Company's behalf, including attending Board and applicable committee meetings. Accordingly, the Company believes that Board members should not serve on more than a total of four public company boards of directors. In addition, Board members who hold the position of chief executive officer of a public company should not serve on more than a total of three public company boards (including the board of his or her own company).

The Company also expects that each director will avoid circumstances that create an actual or perceived conflict of interest. Accordingly, a director shall notify the Nominating Committee if he or she wishes to accept an invitation to:

- (i) become a member of the board of directors of a public company; or
- (ii) join a governmental commission, a private company board of directors, a company advisory board or similar body, or the governing board of a non-profit entity if the director reasonably believes, or the Board or CEO reasonably assumes, that the activities of such organization or company could be competitive with the Company, or otherwise impact the Company in a material manner.

Upon receipt of such notice, the Nominating Committee, together with the CEO and Chairman of the Board, shall determine whether the director's joining of such organization would represent a conflict of interest or otherwise inhibit the director's ability to serve the best interests of the Company and its stockholders.

BOARD COMPENSATION AND PERFORMANCE

Board Compensation Policy

The Compensation Committee (the "Compensation Committee") has the responsibility of recommending to the Board the compensation and benefits for non-employee directors. The Compensation Committee shall report from time to time to the entire Board on the status of director compensation. An executive officer of the Company serving as a member of the Board does not receive additional compensation for his or her service as a director.

Any proposed changes in director compensation come at the recommendation of the Compensation Committee, but with discussion and concurrence by the full Board, and where appropriate, approval of the stockholders.

Evaluation of Board Performance

The Nominating Committee recommends criteria for assessment of the performance of the Board as a whole, for each Board committee, and for individual directors. The Nominating Committee is responsible for annually evaluating of the overall performance of the Board based on these criteria. If the Nominating Committee so desires, it may be assisted by an outside consultant in making its assessment of the overall performance of the Board. The evaluation should be made following the end of each fiscal year and should be discussed with the full Board at the same time, if applicable, as Board membership criteria is discussed.

The evaluation shall include, among other things, (i) composition and independence of the Board, (ii) access to and review of information from management, (iii) responsiveness of the Board to stockholder concerns and (iv) maintenance and implementation of these corporate governance guidelines.

The evaluation to be provided by the Nominating Committee should be of the contribution of the Board as a whole and should specifically review areas in which the Committee believes a better contribution could be made. The purpose of the evaluation is to increase the effectiveness of the Board, not to target individual directors.

Also based on the criteria set by the Nominating Committee, the Board, each committee, and each member of the Board shall conduct an annual self-assessment of performance in accordance with the process specified by the Nominating Committee.

Attendance at Annual Meeting of Stockholders

Each director who is up for election at an annual meeting of stockholders or who has a term that continues after such annual meeting is expected to attend the annual meeting of stockholders.

Interactions with Institutional Investors, Press, Customers, Etc.

The Board believes that management speaks for the Company. The Chairman of the Board may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Company, but it is expected that the Chairman of the Board would do this with the knowledge of management and, in most instances, at the request of management.

Stockholders and other interested parties may communicate with directors by writing to them in care of the Secretary or an Assistant Secretary of the Company, if any, who will receive the correspondence and respond on behalf of the Board following consultation with the named Board members.

MEETINGS OF THE BOARD

Participation in Board Meetings

The Company expects directors to rigorously prepare for, attend and participate in all Board and applicable committee meetings. Each director is expected to ensure that other commitments do not materially interfere with service as a director.

Meetings of the Independent Directors

It is the policy of the Board to have a separate session for the independent directors generally during every regularly scheduled meeting of the full Board, but no less than four times per year, to review matters concerning the relationship of the Board with management and such other matters as it deems appropriate. Any independent director may request a meeting of the independent directors at any time. If the Chairman of the Board is not an independent director, the Lead Director of the Board presides at all meetings of independent directors at which he or she is present.

Scheduling and Selection of Agenda Items for Board Meetings

The Chairman of the Board, in consultation with the CEO if the same person does not hold both offices, determines the frequency and length of meetings of the Board. It is the sense of the Board that

regular, in-person meetings at appropriate intervals are desirable for the performance of their responsibilities, but meetings may also be conducted via teleconference. In addition to regularly scheduled meetings, additional unscheduled meetings are called upon appropriate notice at any time to address any special needs.

The Chairman of the Board, in consultation with the CEO if the same person does not hold both offices, establishes the agenda for each meeting. Each director is free to suggest the inclusion of items on an agenda, to raise at any meeting subjects that are not on the agenda for that meeting or to request the presence of or a report by any member of management. If the CEO is also the Chairman of the Board, the Lead Director should receive inquiries from directors wishing to discuss issues or add agenda items that are not appropriately or best forwarded to the CEO. During at least one meeting each year, the Company's risk management and compliance program, and the long-term strategic plan for the Company and the principal issues that it expects to face in the future, are presented to, and discussed by, the Board.

Board Material and Presentations

Materials that are important to an understanding of the business and matters to be considered at a meeting are distributed in advance to directors. As a general rule, materials on specific subjects are sent to directors sufficiently in advance so directors will be prepared to discuss questions that they may have about the material.

The Board encourages the CEO to schedule members of management to present at meetings who can provide additional insight into the specific matters being discussed.

Access to Management and Advisors

Each director is encouraged to keep himself or herself informed of the affairs of the Company between Board meetings through direct contact with members of senior management and outside advisors, and each director has access to any such member of senior management and outside advisor. It is expected that the CEO shall be informed of such contact, and each director will use judgment to assure that such access is not distracting to the business operation of the Company.

COMMITTEES OF THE BOARD

Number of Committees

Our Board establishes committees from time to time to facilitate and assist in the execution of its responsibilities. These committees generally address issues that, because of their complexity and technical nature, level of detail or time requirements or because of proper corporate governance principles are suitable for committee oversight.

We currently have three standing committees: (1) the Compensation Committee; (2) the Audit Committee; and (3) the Nominating and Corporate Governance Committee. There will, from time to time, be occasions on which the Board may want to form a new committee or disband a current committee depending upon the circumstances. The Company complies with all requirements of the New York Stock Exchange that apply to "controlled companies" relating to the constitution of key committees. Accordingly, the Audit Committee will have one independent director at the time of the closing of the initial public offering of the Company's common stock, a majority of independent directors within 90 days thereof and all independent directors within one year thereof; however, so long as this exception applies, and the Nominating and Corporate Governance Committee and the Compensation Committee do not need to be comprised of independent directors.

Each committee shall have a written charter of responsibilities and authorities that shall periodically be reviewed by the Board. We have made the charter for each of the Compensation and Committee, the Audit Committee, and the Nominating and Corporate Governance Committee publicly available on our website for review by our stockholders.

Assignment and Term of Service of Committee Members

The Board is responsible for the appointment of committee members and committee chairmen, taking into account the desires of individual members and the recommendations of the Nominating Committee. The Nominating Committee shall make such recommendations based on the competencies of each member, and the need to ensure that an appropriate succession plan is in place for each committee Chairman. In making such appointments, the Board in general considers the rotation of committee membership at least as often as every three to five years, unless the Nominating Committee recommends otherwise. The Board also believes in general that it is appropriate and valuable to rotate committee chairmen every three to five years, unless the Nominating Committee recommends that the current committee Chairman should continue to serve as Chairman for an additional period.

Frequency and Length of Committee Meetings and Committee Agenda

The committee Chairman, in consultation with other committee members, shall determine the frequency and length of committee meetings and develops the agenda for committee meetings. The meeting minutes of the committees will be shared with the full Board. Any director who is not a member of a particular committee may attend any committee meetings with the concurrence of the committee Chairman.

LEADERSHIP DEVELOPMENT

Formal Evaluation of Chief Executive Officer

The independent directors evaluate the CEO at least annually, and the evaluation is led by and communicated to, the CEO by the Chairman of the Board. The evaluation is based on clearly articulated criteria established by the Board, including performance of the business, accomplishment of long-term strategic objectives and development of senior management. The evaluation is to be used by the Compensation Committee when considering the compensation of the CEO.

Succession Planning and Management Development

The CEO reviews senior management succession planning and management development with the Board and the Compensation and HR Committee on an annual basis. This succession planning includes the development of policies and principles for selection of a CEO, including succession in the event of an emergency.