

CTI INDUSTRIES CORP
Form 10-Q
August 13, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2008

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

**Commission File Number
000-23115**

CTI INDUSTRIES CORPORATION
(Exact name of Registrant as specified in its charter)

Illinois
(State or other jurisdiction of
incorporation or organization)

36-2848943
(I.R.S. Employer Identification Number)

22160 N. Pepper Road
Barrington, Illinois
(Address of principal executive offices)

60010
(Zip Code)

(847) 382-1000
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

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Large accelerated
filer

Accelerated filer

Non-accelerated filer

Smaller Reporting
Company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of the Registrant's common stock as of August 1, 2008 was 2,785,100.

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PART 1 - FINANCIAL INFORMATION**Item 1. Financial Statements****CTI Industries Corporation and Subsidiaries
Condensed Consolidated Balance Sheets**

	June 30, 2008	December 31, 2007
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,260,417	\$ 483,112
Accounts receivable, (less allowance for doubtful accounts of \$411,000 and \$312,000, respectively)	7,066,866	5,950,551
Inventories, net	10,301,316	9,700,618
Net deferred income tax asset	934,171	1,014,451
Prepaid expenses and other current assets	700,523	651,969
Total current assets	20,263,293	17,800,701
Property, plant and equipment:		
Machinery and equipment	21,472,401	19,520,741
Building	3,100,508	3,035,250
Office furniture and equipment	1,889,341	1,900,219
Intellectual property	345,092	305,017
Land	250,000	250,000
Leasehold improvements	481,622	465,838
Fixtures and equipment at customer locations	2,385,150	2,381,921
Projects under construction	620,402	1,836,877
	30,544,516	29,695,863
Less : accumulated depreciation and amortization	(20,223,949)	(19,599,708)
Total property, plant and equipment, net	10,320,567	10,096,155
Other assets:		
Deferred financing costs, net	71,251	113,209
Goodwill	989,108	989,108
Net deferred income tax asset	98,199	133,756
Other assets (due from related party \$63,000 and \$66,000, respectively)	191,046	191,206
Total other assets	1,349,604	1,427,279
TOTAL ASSETS	31,933,464	29,324,135
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Checks written in excess of bank balance	229,526	616,583
Trade payables	5,307,956	4,227,954

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Line of credit	7,178,986	6,746,213
Notes payable - current portion	1,082,093	863,513
Notes payable - officers, current portion, net of debt discount of \$89,000 and \$89,000	1,363,255	2,157,065
Accrued liabilities	1,583,082	1,871,781
Total current liabilities	16,744,898	16,483,109
Long-term liabilities:		
Other liabilities (related parties \$1,034,000 and \$1,070,000)	1,033,732	1,070,151
Notes payable, net of current portion	4,768,203	4,351,743
Notes payable - officers, subordinated, net of debt discount of \$140,000 and \$185,000	859,630	815,296
Total long-term liabilities	6,661,565	6,237,190
Minority interest	12,798	12,534
Stockholders' equity:		
Preferred Stock — no par value 2,000,000 shares authorized 0 shares issued and outstanding	-	-
Common stock - no par value, 5,000,000 shares authorized, 2,785,100 and 2,569,124 shares issued and 2,785,100 and 2,569,124 outstanding, respectively	3,764,020	