

CTI INDUSTRIES CORP
Form 10-Q
November 14, 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 September 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 36-2848943
(State or other (I.R.S.
jurisdiction of Employer
incorporation Identification
or Number)
organization)

22160 N.
Pepper Road
Barrington, 60010
Illinois
(Address of (Zip Code)
principal
executive
offices)

(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

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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):

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 November 1, 2008 was 2,808,720.

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

	September 30, 2008 (unaudited)	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 860,016	\$ 483,112
Accounts receivable, (less allowance for doubtful accounts of \$441,000 and \$312,000, respectively)	6,738,667	5,950,551
Inventories, net	10,742,677	9,700,618
Net deferred income tax asset	835,337	1,014,451
Prepaid expenses and other current assets	590,138	651,969
Total current assets	19,766,835	17,800,701
Property, plant and equipment:		
Machinery and equipment	21,493,974	19,520,741
Building	3,179,909	3,035,250
Office furniture and equipment	1,889,516	1,900,219
Intellectual property	416,400	305,017
Land	250,000	250,000
Leasehold improvements	465,544	465,838
Fixtures and equipment at customer locations	2,385,150	2,381,921
Projects under construction	1,020,143	1,836,877
	31,100,636	29,695,863
Less : accumulated depreciation and amortization	(20,531,657)	(19,599,708)
Total property, plant and equipment, net	10,568,979	10,096,155
Other assets:		
Deferred financing costs, net	44,697	113,209
Goodwill	989,108	989,108
Net deferred income tax asset	130,545	133,756
Other assets (due from related party \$69,000 and \$66,000, respectively)	202,447	191,206
Total other assets	1,366,797	1,427,279
TOTAL ASSETS	31,702,611	29,324,135
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Checks written in excess of bank balance	814,762	616,583

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Trade payables	4,068,778	4,227,954
Line of credit	7,612,386	6,746,213
Notes payable - current portion	1,086,749	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	1,954,304	1,871,781
Total current liabilities	16,900,234	16,483,109
Long-term liabilities:		
Other liabilities (related parties \$953,000 and \$1,070,000)	953,488	1,070,151
Notes payable, net of current portion	4,494,746	4,351,743
Notes payable - officers, subordinated, net of debt discount of \$118,000 and \$185,000	881,797	815,296
Total long-term liabilities	6,330,031	6,237,190