CTI INDUSTRIES CORP
Form POS AM
July 09, 2008

As filed with the U.S. Securities and Exchange Commission on July 9, 2008

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

POST EFFECTIVE AMENDMENT NO. 1

TO

FORM S-1
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED

Illinois	**CTI INDUSTRIES CORPORATION**	**36-2848943**
(State or Other Jurisdiction of Incorporation or Organization)	(Name of Registrant in Our Charter)	(I.R.S. Employer Identification No.)

22160 North Pepper Road **Barrington, Illinois 60010** **(847) 382-1000**	**3069**	**Stephen M. Merrick** **22160 North Pepper Road** **Barrington, Illinois 60010** **(847) 382-1000**
(Address and telephone number of Principal Executive Offices and Principal Place of Business)	(Primary Standard Industrial Classification Code Number)	(Name, address and telephone number of agent for service)

With copies to:

Clayton E. Parker, Esq.
Kirkpatrick & Lockhart Preston Gates Ellis LLP
200 S. Biscayne Boulevard, Suite 3900
Miami, Florida 33131
Telephone: (305) 539-3300
Telecopier: (305) 358-7095

Matthew Ogurick, Esq.
Kirkpatrick & Lockhart Preston Gates Ellis LLP
200 S. Biscayne Boulevard, Suite 3900
Miami, Florida 33131
Telephone: (305) 539-3300
Telecopier: (305) 358-7095

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended (the "Securities Act") check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act Registration Statement number of the earlier effective Registration Statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act Registration Statement number of the earlier effective Registration Statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act Registration Statement number of the earlier effective Registration Statement for the same offering. o

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this Registration Statement shall become effective on such date as the SEC, acting pursuant to said Section 8(a), may determine.

PROSPECTUS

CTI INDUSTRIES CORPORATION
79,876 shares of Common Stock

This prospectus (this "Prospectus") relates to the sale of up to 79,876 shares of common stock of CTI Industries Corporation ("CTI" or the "Company") by certain persons who are shareholders of the Company, including (a) Cornell Capital Partners, L.P. (n/k/a YA Global Investments, L.P. and hereinafter referred to as "Cornell Capital"), a shareholder who intends to sell up to 76,376 shares of common stock pursuant to a Standby Equity Distribution Agreement (also referred to herein as the "SEDA"), dated June 6, 2006, by and between the Company and Cornell Capital and (b) Newbridge Securities Corporation ("Newbridge"), a shareholder who intends to sell 3,500 shares of common stock which have been issued by the Company to Newbridge pursuant to a Placement Agent Agreement in connection with the SEDA. Please refer to "Selling Shareholders" beginning on page 28. All costs associated with this registration will be borne by the Company.

The shares of common stock are being offered for sale by the selling shareholders at prices established on the NASDAQ Capital Market (NASDAQ-CM) during the term of this offering. On May 30, 2008, the last reported sale price of our common stock was $5.01 per share. Our common stock is quoted on the NASDAQ-CM under the symbol "CTIB". These prices will fluctuate based on the demand for the shares of common stock.

Cornell Capital is an "underwriter" within the meaning of the Securities Act of 1933, as amended (the "Securities Act"), in connection with the sale of common stock under the Standby Equity Distribution Agreement.

Brokers or dealers effecting transactions in these shares should confirm that the shares are registered under the applicable state law or that an exemption from registration is available.

These securities are speculative and involve a high degree of risk.

Please refer to "Risk Factors" beginning on page 11.

With the exception of Cornell Capital, which is an "underwriter" within the meaning of the Securities Act, no other underwriter or person has been engaged to facilitate the sale of shares of common stock in this offering. This offering will terminate twenty-four (24) months after the accompanying Registration Statement is declared effective by the U.S. Securities and Exchange Commission (the "SEC"). None of the proceeds from the sale of stock by the selling shareholders will be placed in escrow, trust or any similar account.

The SEC and state securities regulators have not approved or disapproved of these securities, or determined if this Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The information in this Prospectus is not complete and may be changed. Neither the selling shareholder nor we may sell these securities until the Registration Statement filed with the SEC is effective. This Prospectus is not an offer to sell these securities and we are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

The date of this Prospectus is July 9, 2008.

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PROSPECTUS SUMMARY

Introduction

This offering relates to the sale of common stock by certain persons who are shareholders of the Company, including (a) Cornell Capital, who intends to sell up to 76,376 shares of the Company's common stock under the Standby Equity Distribution Agreement, dated as of June 6, 2006, by and between the Company and Cornell Capital and (b) Newbridge, who intends to sell 3,500 shares of common stock which have been issued by the Company to Newbridge pursuant to a Placement Agent Agreement in connection with the SEDA. The shares of common stock are being offered for sale by the selling shareholders at prices established on the NASDAQ Capital Market during the term of this offering.

On January 28, 2007, the Registration Statement was declared effective. Through the date of this Post-Effective Amendment, we have received $1,492,000 in net proceeds from Cornell Capital and Cornell Capital has purchased from us an aggregate of 323,624 shares of our common stock, all of which have been sold by Cornell Capital hereunder.

Overview

We produce film products for novelty, packaging and container applications. These products include metalized balloons, latex balloons and related latex toy products, films for packaging applications, and flexible containers for packaging and storage applications. We produce all of our film products for packaging and container applications at our plant in Barrington, Illinois. We produce all of our latex balloons and latex products at our facility in Guadalajara, Mexico. Substantially all of our film products for packaging applications and flexible containers for packaging and storage are sold to customers in the United States. We market and sell our novelty items - principally metalized balloons and latex balloons - in the United States, Mexico, the United Kingdom and a number of additional countries.

We develop, produce, market and sell two principal lines of products:

- **Novelty products**, principally balloons, including metalized balloons, latex balloons, punch balls and other inflatable toy items, and

- **Specialty and printed films and flexible containers**, for food packaging, specialized consumer uses and various commercial applications.

We focus our business and efforts on the printing, processing and converting of plastic film, and of latex, into finished products. We:

- Coat and laminate plastic film. Generally, we adhere polyethylene film to another film such as nylon or polyester

- Print plastic film and latex balloons. We print films, both plastic and latex with a variety of graphics for use as packaging film or for balloons.

- Convert printed plastic film to balloons.

- Convert plastic film to flexible containers. These finished products are used to store and package food and for storage of a variety of personal items.

- Convert latex to balloons and other novelty items.

We market and sell metalized and latex balloons in the United States and in several other countries. We supply coated, laminated and printed films to a number of companies who generally convert these films into containers for the packaging of food and other items. We supply flexible containers to companies who (i) use them for packaging of food or other items or (ii) market them to consumers who use them for the storage of personal items. We also market containers to and through retail outlets for use by consumers that include a resealable closure system and a valve permitting the evacuation of air from the pouch by a small pump device, which we also supply.

In 1978, we began manufacturing metalized balloons (sometimes referred to as "foil" balloons), which are balloons made of a base material (usually nylon or polyester) having vacuum deposited aluminum and polyethylene coatings. These balloons remain buoyant when filled with helium for much longer periods than latex balloons and permit the printing of graphic designs on the surface.

In 1985, we began marketing latex balloons and, in 1988 we began manufacturing latex balloons. In 1994, we sold our latex balloon manufacturing equipment to a company in Mexico and entered into an arrangement for that company to manufacture latex balloons for us. Since 1997, we have manufactured latex balloons in Mexico through a majority-owned subsidiary.

In 1999, we acquired an extrusion coating and laminating machine and began production of coated and laminated films, which we have produced since that time.

During the period from 1976 to 1986 and from 1996 to the present, we have produced flexible containers for the storage of liquids, food products, household goods and other items.

We market and sell our metalized and latex balloons and related novelty items directly to retail stores and chains and through distributors, who in turn sell to retail stores and chains. Our balloon and novelty products are sold to consumers through a wide variety of retail outlets including general merchandise, discount and drugstore chains, grocery chains, card and gift shops, and party goods stores, as well as through florists and balloon decorators.

Most of our metalized balloons contain printed characters, designs and social expression messages, such as “Happy Birthday”, “Get Well Soon” and similar items. In a number of cases, we obtain licenses for well-known characters and print those characters and messages on our balloons. Currently, we maintain licenses for Garfield®, Odie, Face Offs-Tudes®, Miss Spider and Sunny Patch Friends®, Andrea Mistretta and Wow Wow Wubsy®. In the United Kingdom, we maintain licenses on The Crazy Frog® and Tudes.

Balloons and novelty items accounted for 62.6% of our revenues in 2007. The remainder of our revenues is generated from the sale of laminated film products, generally intended for use in the packaging of foods, liquids and other materials. We provide laminated films, and printed films, to a number of customers who utilize the film to produce bags or pouches for the packaging of food, liquids and other items. We also produce finished products – pouches and bags – which are used for a variety of applications, including (i) as vacuumable consumer storage devices for clothing and other household items, (ii) as vacuumable pouches for household use in storage of food items, and (iii) as “dunnage” items which, when inflated, cushion products in a package or container. In 2007, our revenues from these products represented approximately 37.4% of our net revenues.

Recent Developments

On February 1, 2008, we entered into a License and Supply Agreement with S.C. Johnson & Son, Inc (“SC Johnson”). The agreement provides for the Company to manufacture and sell to SC Johnson certain home food management products to be sold under the SC Johnson ZipLoc® brand. The agreement is for a term expiring on June 30, 2011 and provides for two renewal terms of two years each at the option of SC Johnson.

On April 10, 2008, we entered into an agreement with Babe Winkelman Productions, Inc. (“BWP”). The agreement provides for BWP to provide marketing and advertising services to us in connection with our ZipVac™ brand portable food storage system. BWP will produce commercials featuring the ZipVac™ product line which are to be aired at the time of Babe Winkelman syndicated programs, will produce a Kris Winkelman segment of the Babe Winkelman shows which will feature uses of the ZipVac™ product line, and will provide other advertising and marketing services. We will receive a license to use the name, image, likeness and testimonies of Babe and Kris Winkelman in connection with the ZipVac™ product line. We will pay a royalty to BWP of 3% of net revenues from the sale of the ZipVac™

product and will issue to BWP 50,000 shares of our common stock which will be earned by BWP over a two year period. The agreement is for a term commencing on April 1, 2008 and expiring on March 31, 2011.

On May 6, 2008, we entered into an Amendment to License Agreement with Rapak, L.L.C. which amends a License Agreement among the Company and Rapak dated April 13, 2006. Under the License Agreement, we granted to Rapak a worldwide, royalty-free license under Patent No. 6,984,278 relating to a method for texturing film and the production of a pouch utilizing such film and incorporating an evacuation tube. The license was granted for the full term of the patent and was made exclusive to Rapak for a period at least through October 31, 2008. The License Agreement also amended a Supply Agreement between the Company and Rapak for the supply of textured film extending the term of the Supply Agreement until at least October 31, 2008 and providing for Rapak to purchase from the Company at least 65% of Rapak's requirements for the patented film through that date.

Under the Amendment to License Agreement, the License Agreement was amended to: (i) extend the period of exclusivity of the patent license to October 31, 2011, (ii) extend the term of the Supply Agreement to October 31, 2011, (iii) provide, under the Supply Agreement, for Rapak to commit to purchase not less than 75% of its requirements for textured film from the Company during the term of the Supply Agreement, (iv) adjust pricing under the Supply Agreement and (v) change the definition of the field of use for the patent license.

Rapak has been one of the top three customers of the Company for the past five years and is expected to continue to be a principal customer of the Company.

About Us

We are an Illinois corporation with our principal offices and plant at 22160 N. Pepper Road, Barrington, Illinois. Our telephone number is (847) 382-1000. The address of our website is www.ctiindustries.com. Information on our website is not part of this Prospectus.

THE OFFERING

This offering relates to the sale of common stock by certain persons who are shareholders of the Company, including (a) Cornell Capital, who intends to sell up to 400,000 shares of common stock pursuant to the Standby Equity Distribution Agreement, dated June 6, 2006, by and between the Company and Cornell Capital (also referred to herein as the "SEDA") and (b) Newbridge, who intends to sell 3,500 shares of common stock which have been issued pursuant to a Placement Agent Agreement in connection with the SEDA.

On June 6, 2006 (the "Closing Date"), the Company entered into the Standby Equity Distribution Agreement with Cornell Capital pursuant to which the Company may, at its discretion, periodically sell to Cornell Capital shares of its common stock, no par value per share, for a total purchase price of up to Five Million Dollars ($5,000,000). For each share of common stock purchased under the SEDA, Cornell Capital will pay to the Company one hundred percent (100%) of the lowest volume weighted average price (as quoted by Bloomberg, LP) of the Company's common stock on the principal market (whichever is at such time the principal trading exchange or market for the common stock) during the five (5) consecutive trading days after the Advance Notice Date (as such term is defined in the SEDA). However, the Company and Cornell Capital have agreed that the Company will not sell to Cornell Capital in excess of 400,000 shares unless and until the Company shall have obtained shareholder approval for such sales.

Cornell Capital will retain five percent (5%) of each advance under the SEDA as an underwriting discount. The Company has paid to Yorkville Advisors, LLC ("Yorkville") a structuring fee equal to Fifteen Thousand Dollars ($15,000) on the Closing Date and shall pay Five Hundred Dollars ($500) to Yorkville on each Advance Date directly out of the gross proceeds of each Advance (as such terms are defined in the SEDA). The Company also entered into that certain Placement Agent Agreement (hereinafter the "PAA"), dated as of the Closing Date, by and among the Company, Cornell Capital and Newbridge pursuant to which the Company engaged Newbridge to act as it exclusive placement agent in connection with the SEDA. Upon the execution of the PAA, the Company issued to Newbridge Three Thousand Five Hundred (3,500) shares (the "Newbridge Shares") of the Company's common stock. Newbridge is entitled to "piggy-back" registration rights with respect to the Newbridge Shares and such Newbridge Shares are being registered in this offering.

On January 28, 2007, the Registration Statement was declared effective. Through the date of this Post-Effective Amendment, we have received $1,492,000 in net proceeds from Cornell Capital and Cornell Capital has purchased from us an aggregate of 323,624 shares of our common stock, all of which have been sold by Cornell Capital hereunder. At an assumed offering price of $5.01 per share (the last reported sale price on May 30, 2008), as determined under the Standby Equity Distribution Agreement, CTI will be able to receive up to $382,644 in gross proceeds assuming the sale of the entire balance of 76,376 shares registered hereunder pursuant to the SEDA, and $1,874,644 in gross proceeds assuming the sale of the aggregate 400,000 shares originally offered hereunder. The Company would be required to register 598,004 additional shares to obtain the balance of $5 million available under the SEDA at an assumed offering price of $5.01. Based on the limited number of available authorized shares of common stock, CTI may need to obtain shareholder approval to increase the authorized shares of common stock to access additional amounts under the SEDA. If CTI drew down on the entire $5 million available under the Standby Equity Distribution Agreement, Cornell Capital would receive an aggregate underwriting discount equal to $250,000.

There are substantial risks to investors as a result of the issuance of shares of common stock under the SEDA. These risks include dilution of shareholders, significant decline in CTI's stock price and our inability to draw sufficient funds when needed.

Cornell Capital will periodically purchase shares of common stock under the SEDA and will, in turn, sell such shares to investors in the market at the market price. This may cause our stock price to decline, which will require CTI to issue increasing numbers of shares to Cornell Capital to raise the same amount of funds, as our stock price declines. This inverse relationship is demonstrated by the following tables, which show the net cash to be received by CTI and the number of shares to be issued under the SEDA at an assumed offering price of $5.01 per share and twenty-five percent (25%), fifty percent (50%) and seventy-five percent (75%) discounts to the assumed offering prices.

Net Cash To The Company

	Assumed Offering Price	75% of Assumed Offering Price	50% of Assumed Offering Price	25% of Assumed Offering Price
Purchase Price:	$ 5.01	$ 3.76	$ 2.51	$ 1.26
No. of Shares[1]:	76,376	76,376	76,376	76,376
Total Outstanding[2]:	2,861,476	2,861,476	2,861,476	2,861,476
Percent Outstanding[3]:	2.67%	2.67%	2.67%	2.67%
Gross Cash to CTI:	$ 382,644	$ 287,174	$ 191,704	$ 96,234
Net Cash to CTI[4]:	$ 203,512	$ 112,815	$ 22,119	$ (68,578)

(1) Represents the number of shares of common stock registered pursuant to the accompanying Registration Statement, which remain to be issued to Cornell Capital under the SEDA at the prices set forth in the table. Does not represent the 3,500 shares issued to Newbridge Securities pursuant to the Placement Agent Agreement in connection with the SEDA.

(2) Represents the total number of shares of common stock outstanding at May 30, 2008 (2,785,100) plus the issuance of 76,376 shares to Cornell Capital under the SEDA.

(3) Represents the shares of common stock to be issued as a percentage of the total number of shares outstanding at May 30, 2008 (2,785,100).

(4) Net cash equals the gross proceeds minus the five percent (5%) underwriting discount and minus $160,000 in offering expenses.

Number Of Shares To Be Issued To Receive Gross Proceeds Of $5 Million

	Assumed Offering Price	75% of Assumed Offering Price	50% of Assumed Offering Price	25% of Assumed Offering Price
Purchase Price:	$ 5.01	$ 3.76	$ 2.51	$ 1.26
No. of Shares[1]:	674,380	1,006,163	1,668,408	3,644,630
Total Outstanding[4][5]:	3,459,480[2]	3,791,263[2]	4,453,508[2]	6,429,730[2][3]
Percent Outstanding[6]:	19.49%	26.54%	37.47%	56.68%
Gross Proceeds to CTI[7]:	5,000,000	5,000,000	5,000,000	5,000,000
Net Cash to CTI[8]:	$ 4,590,000	$ 4,590,000	$ 4,590,000	$ 4,590,000

(1) Represents the total number of shares of common stock which would need to be issued at the stated purchase price to receive gross proceeds of $5,000,000, minus the number of shares previously issued to Cornell Capital since the effectiveness of this offering. We registered 400,000 shares of common stock under this Prospectus pursuant to the SEDA, 76,376 of which remain available for issuance to Cornell Capital. We will need to register additional shares of common stock to obtain the entire $5 million available under the SEDA at these stated purchase prices.

(2) The Company and Cornell Capital have agreed that the Company will not sell to Cornell Capital in excess of 400,000 shares unless the Company shall have obtained shareholder approval for such shares.

(3) At the stated purchase price and based on the limited number of available authorized shares of common stock, CTI would need to obtain shareholder approval to increase the authorized shares of common stock to obtain the entire $5 million available under the SEDA.

(4) Represents the total number of shares of common stock outstanding at May 30, 2008 after the issuance of the shares to Cornell Capital under the SEDA set forth in footnote (1) above.

(5) CTI's Certificate of Incorporation authorizes the issuance of 5,000,000 shares of common stock.

(6) Represents the shares of common stock to be issued as a percentage of the total number shares outstanding at May 30, 2008.

(7) If CTI drew down on the entire $5 million available under the SEDA, Cornell Capital would receive an aggregate underwriting discount equal to $250,000. As of of the date of this Prospectus, the remaining balance on the $5 million available under the SEDA is $3.42 million which is used in the calculations in the chart above.

(8) Net cash equals the gross proceeds minus the five percent (5%) underwriting discount and minus $160,000 in offering expenses.

The Offering Summary

Common Stock Remaining To Be Offered:	79,876 shares by the selling shareholders
Offering Price	Market price
Common Stock Outstanding Before the Offering(1)	2,785,100 shares as of May 30, 2008
Use of Proceeds	We will not receive any proceeds of the shares offered by the selling shareholders. Any proceeds we receive from the sale of common stock under the Standby Equity Distribution Agreement will be used for general working capital purposes at the discretion of CTI. See "Use of Proceeds".
Risk Factors	The securities offered hereby involve a high degree of risk and immediate substantial dilution. See "Risk Factors" and "Dilution".
NASDAQ Capital Market Symbol	CTIB

(1) Excludes up to 76,376 shares of common stock remaining to be issued pursuant to the SEDA.

Selected Financial Data

The following selected financial data are derived from the consolidated financial statements of the Company. The data should be read in conjunction with the consolidated financial statements, related notes, and other financial information included herein.

	Year ended December 31, (000 Omitted)				
	2007	2006	2005	2004	2003
Statement of Operations Data:					
Net Sales	$ 36,510	$ 35,428	$ 29,190	$ 37,193	$ 36,260
Costs of Sales	$ 27,826	$ 26,531	$ 22,726	$ 30,841	$ 29,627
Gross Profit	$ 8,684	$ 8,897	$ 6,464	$ 6,352	$ 6,633
Operating expenses	$ 7,439	$ 6,275	$ 5,812	$ 6,402	$ 6,856
Income (loss) from operations	$ 1,245	$ 2,622	$ 652	$ (50)	$ (223)
Interest expense	$ 1,286	$ 1,691	$ 1,231	$ 1,350	$ 1,103
Other (income) expense	$ (174)	$ (191)	$ (45)	$ (208)	$ 23
Income (loss) before taxes and minority interest	$ 133	$ 1,122	$ (534)	$ (1,192)	$ (1,349)
Income tax (benefit) expense	$ 51	$ (774)	$ (200)	$ 1,286	$ (782)
Minority interest	$ -	$ 1	$ -	$ 1	$ -
Net Income (loss)	$ 82	$ 1,895	$ (333)	$ (2,479)	$ (566)
Earnings (loss) per common share					
Basic	$ 0.03	$ 0.91	$ (0.17)	$ (1.28)	$ (0.30)
Diluted	$ 0.03	$ 0.85	$ (0.17)	$ (1.28)	$ (0.30)
Other Financial Data:					
Gross margin percentage	23.79%	25.11%	22.14%	17.08%	18.29%
Capital Expenses	$ 2,848	$ 553	$ 550	$ 306	$ 2,007
Depreciation & Amortization	$ 1,299	$ 1,205	$ 1,463	$ 1,651	$ 1,619
Balance Sheet Data:					
Working capital (Deficit)	$ 1,318	$ 1,848	$ (2,426)	$ (2,790)	$ (706)
Total assets	$ 29,256	$ 26,645	$ 23,536	$ 27,888	$ 30,270
Short-term obligations (1)	$ 9,767	$ 9,422	$ 8,618	$ 9,962	$ 6,692
Long-term obligations	$ 6,237	$ 6,887	$ 6,039	$ 6,491	$ 8,909
Stockholders' Equity	$ 6,591	$ 5,102	$ 2,726	$ 2,951	$ 5,212

(1) Short term obligations consist of primarily of borrowings under bank line of credit and current portion of long-term debt.

The following table sets forth selected audited statements of operations for each quarter of fiscal 2007 and 2006:

	For the Year Ended December 31, 2007 (1)			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net sales	$ 8,279,000	$ 9,259,000	$ 8,673,000	$ 10,299,000
Gross profit	$ 1,903,000	$ 2,744,000	$ 1,617,000	$ 2,420,000
Net (loss) income	$ (52,000)	$ 423,000	$ (414,000)	$ 125,000
Earnings per common share				
Basic	$ (0.02)	$ 0.18	$ (0.18)	$ 0.05
Diluted	$ (0.02)	$ 0.17	$ (0.18)	$ 0.05

(1) Earnings per common share are computed independently for each of the quarters presented. Therefore, the sum of the quarterly per common share information may not equal the annual earnings per common share

	For the Year Ended December 31, 2006 (1)			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter (2)
Net sales	$ 8,156,000	$ 8,997,000	$ 8,603,000	$ 9,672,000
Gross profit	$ 1,953,000	$ 2,197,000	$ 2,253,000	$ 2,494,000
Net income	$ 220,000	$ 206,000	$ 315,000	$ 1,154,000
Earnings per common share				
Basic	$ 0.11	$ 0.10	$ 0.15	$ 0.54
Diluted	$ 0.10	$ 0.10	$ 0.15	$ 0.49

(1) Earnings per common share are computed independently for each of the quarters presented. Therefore, the sum of the quarterly per common share information may not equal the annual earnings per common share

(2) During the fourth quarter 2006, management of the Company conducted an analysis of the recoverability of the deferred tax asset based on results of operations during the fourth quarter of 2005 and for the full year of 2006, expected continued achievement of and continuing improvement in operating results for the forseeable future and anticipated repatriations of profits and services income to be generated from the Company's foreign subsidiaries. As a result of such analysis, management determined that the net recorded deferred tax asset in the amount of $1,127,000 is more likely than not to be realized.

SUPPLEMENTARY FINANCIAL INFORMATION

The following table presents the Company's condensed operating results for each of the ten (10) fiscal quarters through the period ended March 31, 2008. The information for each of these quarters is unaudited. In the opinion of management, all necessary adjustments, which consist only of normal and recurring accruals, have been included to fairly present the unaudited quarterly results. This data should be read together with the Company's consolidated financial statements and the notes thereto, the Independent Auditors Reports and Management's Discussions and Analysis of Financial Condition and Results of Operations.

	THREE (3) MONTHS ENDED (In Thousands – except per share information)								
	Mar 31 2008	**Dec 31 2007**	**Sep 30 2007**	**June 30 2007**	**Mar 31 2007**	**Dec 31 2006**	**Sep 30 2006**	**June 30 2006**	**Mar 31 2006**
Revenues	$ 10,735,000	$ 10,299,000	$ 8,673,000	$ 9,259,000	$ 8,279,000	$ 9,672,000	$ 8,603,000	$ 8,997,000	$ 8,156,00
Net Income (loss)	$ 279,000	$ 125,000	$ (414,000)	$ 423,000	$ (52,000)	$ 1,154,000	$ 315,000	$ 206,000	$ 220,00
Net Income (loss) per share									
Basic	$ 0.10	$ 0.05	$ (0.18)	$ 0.18	$ (0.02)	$ 0.54	$ 0.15	$ 0.10	$ 0.1
Diluted	$ 0.10	$ 0.05	$ (0.18)	$ 0.17	$ (0.02)	$ 0.49	$ 0.15	$ 0.10	$ 0.1
Shares used in computing per share amounts:									
Basic	2,662,267	2,346,126	2,339,467	2,303,371	2,156,783	2,087,145	2.055,553	2,053,311	2,036,47
Diluted	2,797,374	2,589,960	2,339,467	2,540,729	2,156,783	2,234,901	2,129,658	2,171,525	2,166,89

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FORWARD-LOOKING STATEMENTS

This Prospectus contains certain forward-looking statements regarding management's plans and objectives for future operations including plans and objectives relating to our planned marketing efforts and future economic performance. The forward-looking statements and associated risks set forth in this Prospectus include or relate to, among other things, (a) our projected sales and profitability, (b) our growth strategies, (c) anticipated trends in our industry, (d) our ability to obtain and retain sufficient capital for future operations, and (e) our anticipated needs for working capital. These statements may be found under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business", as well as in this Prospectus generally. Actual events or results may differ materially from those discussed in forward-looking statements as a result of various factors, including, without limitation, the risks outlined under "Risk Factors" and matters described in this Prospectus generally. In light of these risks and uncertainties, there can be no assurance that the forward-looking statements contained in this Prospectus will in fact occur.

The forward-looking statements herein are based on current expectations that involve a number of risks and uncertainties. Such forward-looking statements are based on assumptions that there will be no material adverse competitive or technological change in conditions in our business, that demand for our products and services will significantly increase, that our President will remain employed as such, that our forecasts accurately anticipate market demand, and that there will be no material adverse change in our operations or business or in governmental regulations affecting us or our manufacturers and/or suppliers. The foregoing assumptions are based on judgments with respect to, among other things, future economic, competitive and market conditions, and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Accordingly, although we believe that the assumptions underlying the forward-looking statements are reasonable, any such assumption could prove to be inaccurate and therefore there can be no assurance that the results contemplated in forward-looking statements will be realized. In addition, as disclosed elsewhere in the "Risk Factors" section of this Prospectus, there are a number of other risks inherent in our business and operations which could cause our operating results to vary markedly and adversely from prior results or the results contemplated by the forward-looking statements. Growth in absolute and relative amounts of cost of goods sold and selling, general and administrative expenses or the occurrence of extraordinary events could cause actual results to vary materially from the results contemplated by the forward-looking statements. Management decisions, including budgeting, are subjective in many respects and periodic revisions must be made to reflect actual conditions and business developments, the impact of which may cause us to alter marketing, capital investment and other expenditures, which may also materially adversely affect our results of operations. In light of significant uncertainties inherent in the forward-looking information included in this Prospectus, the inclusion of such information should not be regarded as a representation by us or any other person that our objectives or plans will be achieved.

Some of the information in this Prospectus contains forward-looking statements that involve substantial risks and uncertainties. Any statement in this Prospectus and in the documents incorporated by reference into this Prospectus that is not a statement of an historical fact constitutes a "forward-looking statement". Further, when we use the words "may", "expect", "anticipate", "plan", "believe", "seek", "estimate", "internal" and similar words, we intend to identify stater expressions that may be forward-looking statements. We believe it is important to communicate certain of our expectations to our investors. Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions that could cause our future results to differ materially from those expressed in any forward-looking statements. Many factors are beyond our ability to control or predict. You are accordingly cautioned not to place undue reliance on such forward-looking statements. Important factors that may cause our actual results to differ from such forward-looking statements include, but are not limited to, the risk factors discussed below. Before you invest in our common stock, you should be aware that the occurrence of any of the events described under "Risk Factors" below or elsewhere in this Prospectus could have a material adverse effect on our business, financial condition and results of operation. In such a case, the trading price of our common stock could decline and you could lose all or part of your investment.

RISK FACTORS

We are subject to various risks that may materially harm our business, financial condition and results of operations. You should carefully consider the risks and uncertainties described below and the other information in this filing before deciding to purchase our common stock. If any of these risks or uncertainties actually occurs, our business, financial condition or operating results could be materially harmed. In that case, the trading price of our common stock could decline and you could lose all or part of your investment.

Industry Risks

We engage in businesses which are intensely competitive, involve strong price competition and relatively low margins.

The businesses in which we engage – supply of films for flexible packaging, supply of pouches for flexible packaging and supply of novelty balloon items – are highly competitive. We face intense competition from a number of competitors in each of these product categories, several of which have extensive production facilities, well-developed sales and marketing staffs and greater financial resources than we do. Some of these competitors maintain international production facilities enabling them to produce at low costs and to offer products at highly competitive prices. We compete on the basis of price, quality, service, delivery and differentiation of products. Most of our competitors seek to engage in product development and may develop products that have superior performance characteristics to our products. This intense competition can limit or reduce our sales or market share for the sale of our products as well as our margins. There can be no assurance that we will be able to compete successfully in the markets for our products or that we will be able to generate sufficient margins from the sale of our products to become or remain profitable.

Our business is dependent on the price and availability of raw materials.

The cost of the raw materials we purchase represents about 41.2% of our revenues. The principal raw materials we purchase are: nylon sheeting, polyester sheeting, polyethylene sheeting, polyethylene resin and latex. Much of these materials are derived from petroleum and natural gas. Prices for these materials fluctuate substantially as a result of the change in petroleum and natural gas prices, demand and the capacity of companies who produce these products to meet market needs. Instability in the world markets for petroleum and natural gas has, and may, adversely affect the prices of these raw materials and their general availability. The price of latex has also fluctuated significantly over the past three years. Our ability to achieve and maintain profitability is partially dependent upon our ability to pass through to our customers the amount of increases in raw materials cost. If prices of these materials increase and we are not able to fully pass on the increases to our customers, our results of operations and our financial condition will be adversely affected.

Changes or limitations in the price and availability of helium to our customers may adversely affect our sales of novelty products.

Many of our novelty products, including many styles of foil balloons and latex balloons, are intended to be, and are, when sold to or used by customers filled with helium for buoyancy. During recent months, the price of helium has increased. It has been reported that the supply of helium is decreasing, that demand for helium for industrial and scientific uses has been increasing and that exports of helium from the United States, which is the principal producer of helium, have increased. As a result, the increased price of helium and possible lack of availability may adversely affect sales of novelty balloon products, including sales by the Company.

The loss of a key supplier or suppliers could lead to increased costs and lower margins as well as other adverse results.

We rely on eight principal suppliers for our petroleum, natural gas and latex-based raw material suppliers. We do not maintain supply agreements with any of our suppliers for these materials. The loss of any of these suppliers would force us to purchase these materials from other suppliers or on the open market, which may require us to pay higher prices for raw materials than we do now, with the result that our margins on the sale of our products would be adversely affected. In addition, the loss of the supply of an important raw material from one of our present suppliers may not be replaceable through open market purchases or through a supply arrangement with another supplier. In the event that we were unable to obtain a raw material from another supplier, we would be unable to continue to manufacture certain of our products.

Company Risks

We have a history of both income and losses and have experienced fluctuations of operating income, which may cause our stock to fluctuate.

We have had a history of losses and of fluctuating income from operations over the past five years. We have reported net income from operations in three of the past five years and losses in two of those years Our income or loss from operations during that time has ranged from a profit of $2,622,000 to a loss of $223,000 and has been subject to significant quarterly and annual fluctuations. These fluctuations can be caused by:

- Economic conditions