

CTI INDUSTRIES CORP
Form 10-Q
August 14, 2012

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, 2012

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

Lake Barrington, Illinois

(Address of principal executive offices)

60010

(Zip Code)

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(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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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, 2012 was 3,213,146.

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

	June 30, 2012 (unaudited)	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents (VIE \$17,000 and \$11,000, respectively)	\$261,148	\$338,523
Accounts receivable, (less allowance for doubtful accounts of \$66,000 and \$70,000, respectively)	5,673,609	7,091,194
Inventories, net	13,794,047	13,338,317
Net deferred income tax asset	806,906	760,241
Prepaid expenses (VIE \$11,000 and \$10,000)	1,173,206	1,345,223
Other current assets (VIE \$87,000 and \$83,000)	521,157	427,471
Total current assets	22,230,073	23,300,969
Property, plant and equipment:		
Machinery and equipment	24,503,146	24,333,989
Building	3,329,174	3,329,174
Office furniture and equipment	3,040,536	3,022,719
Intellectual property	432,070	432,070
Land	250,000	250,000
Leasehold improvements	423,714	415,663
Fixtures and equipment at customer locations	2,784,419	2,629,902
Projects under construction	766,524	502,021
	35,529,583	34,915,538
Less : accumulated depreciation and amortization	(26,949,841)	(26,071,629)
Total property, plant and equipment, net	8,579,742	8,843,909
Other assets:		
Deferred financing costs, net	27,579	42,986
Goodwill	1,033,077	1,033,077
Net deferred income tax asset	69,009	197,243
Other assets, due from related party \$81,000 and \$79,000, respectively	220,243	197,338

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Total other assets	1,349,908	1,470,644
TOTAL ASSETS	\$32,159,723	\$33,615,522
LIABILITIES AND EQUITY		
Current liabilities:		
Checks written in excess of bank balance	\$1,236,430	\$154,501
Trade payables	4,990,632	6,359,757
Line of credit	6,390,584	7,298,363
Notes payable - current portion (VIE \$94,000 and \$91,000, respectively)	510,181	362,927
Notes payable - officers, current portion	1,127,614	1,424,923
Notes Payable Affiliates - current portion	7,389	6,718
Accrued liabilities	2,221,277	2,081,805
Total current liabilities	16,484,107	17,688,994
Long-term liabilities:		
Notes Payable - Affiliates	130,496	134,919
Notes payable, net of current portion (VIE \$638,000 and \$687,000, respectively)	3,624,994	3,932,032
Capital Lease	-	426
Notes payable - officers, subordinated	105,033	103,656
Total long-term liabilities	3,860,523	4,171,033
Equity:		
CTI Industries Corporation 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, 3,285,273 and 3,276,633 shares issued and 3,213,146 and 3,137,348 outstanding, respectively	13,704,890	13,704,890
Paid-in-capital	996,612	950,968
Accumulated deficit	(57,040)	(368,122)
Accumulated other comprehensive loss	(2,584,872)	(2,285,679)
Less: Treasury stock, 72,127 shares	(141,289)	(141,289)
Total CTI Industries Corporation stockholders' equity	11,918,301	11,860,768
Noncontrolling interest	(103,208)	(105,273)
Total Equity	11,815,093	11,755,495
TOTAL LIABILITIES AND EQUITY	\$32,159,723	\$33,615,522

See accompanying notes to condensed consolidated unaudited financial statements

CTI Industries Corporation and Subsidiaries**Condensed Consolidated Statements of Operations and Comprehensive Income (Unaudited)**

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2012	2011	2012	2011
Net Sales	\$11,816,448	\$11,964,764	\$25,623,592	\$24,662,419
Cost of Sales	9,463,198	9,894,922	20,175,271	20,121,805
Gross profit	2,353,250	2,069,842	5,448,321	4,540,614
Operating expenses:				
General and administrative	1,538,785	1,349,726	2,871,078	2,679,680
Selling	410,670	206,521	822,240	420,776
Advertising and marketing	391,052	363,883	899,497	692,016
Total operating expenses	2,340,507	1,920,130	4,592,815	3,792,472
Income from operations	12,743	149,712	855,506	748,142
Other (expense) income:				
Interest expense	(172,538	) (147,958	) (359,061	) (289,193
Interest income	5,536	3,923	11,071	5,952
Foreign currency gain	5,680	15,150	7,906	26,268
Total other expense, net	(161,322	) (128,885	) (340,084	) (256,973
Net (Loss) Income before taxes	(148,579	) 20,827	515,422	491,169
Income tax (benefit) expense	(52,656	) 35,472	202,275	240,901
Net (loss) income	(95,923	) (14,645	) 313,147	250,268
Less: Net (loss) gain attributable to noncontrolling interest	(18,375	) (28,000	) 2,066	(60,195
Net (loss) income attributable to CTI Industries Corporation	\$(77,548) \$13,355	\$311,081	\$310,463

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Other Comprehensive (loss) Income				
Foreign currency adjustment	(457,369) \$(57,923) \$(299,193) \$394,708
Comprehensive (loss) income	\$(534,917	) \$(44,568	) \$11,888	\$705,171
Basic (loss) income per common share	\$(0.02	) \$0.00	\$0.10	\$0.10
Diluted (loss) income per common share	\$(0.02	) \$0.00	\$0.10	\$0.10
Weighted average number of shares and equivalent shares of common stock outstanding:				
Basic	3,207,244	3,137,848	3,205,875	3,137,842
Diluted				

THOMAS H. LEE
 ADVISORS
 (ALTERNATIVE) VI,
 LTD.

By: /s/ Charles P. Holden
 Charles P.
 Name: Holden
 Title: Treasurer

THOMAS H. LEE
 (ALTERNATIVE) FUND
 VI, L.P.

By: THL ADVISORS
 (ALTERNATIVE) VI, L.P.
 its general partner
 By: THOMAS H. LEE
 ADVISORS
 (ALTERNATIVE) VI,
 L.P., its general partner

By: /s/ Charles P. Holden
 Charles P.
 Name: Holden
 Title: Treasurer

THOMAS H. LEE
(ALTERNATIVE)
PARALLEL FUND VI,
L.P.

By: THL ADVISORS
(ALTERNATIVE) VI, L.P.
its general partner
By: THOMAS H. LEE
ADVISORS
(ALTERNATIVE) VI,
L.P., its general partner

By: /s/ Charles P. Holden
Charles P.
Name: Holden
Title: Treasurer

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THOMAS H. LEE
(ALTERNATIVE)
PARALLEL (DT) FUND
VI, L.P.

By: THL ADVISORS
(ALTERNATIVE) VI, L.P.
its general partner

By: THOMAS H. LEE
ADVISORS
(ALTERNATIVE) VI,
L.P., its general partner

By: /s/ Charles P. Holden
Charles P.
Name: Holden
Title: Treasurer

THL FBC EQUITY
INVESTORS, L.P.

By: THL ADVISORS
(ALTERNATIVE) VI, L.P.
its general partner

By: THOMAS H. LEE
ADVISORS
(ALTERNATIVE) VI,
L.P., its general partner

By: /s/ Charles P. Holden
Charles P.
Name: Holden
Title: Treasurer

Signature Page to 13D

