

CTI INDUSTRIES CORP
Form S-1
September 19, 2018

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As filed with the Securities and Exchange Commission on September 18, 2018

Registration No. 333-xxxxxx

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

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

CTI Industries Corporation
(Exact name of registrant as specified in its charter)

Illinois	3069	36-2848943
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

**22160 N. Pepper Road
Lake Barrington, IL 60010
(847) 382-1000**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**Stephen M. Merrick
Chief Executive Officer
CTI Industries Corporation
22160 N. Pepper Rd.
Lake Barrington, IL 60010
(847) 382-1000**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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

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, check the following box:

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.

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.

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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.

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

		Non-accelerated filer	Smaller reporting company
Large accelerated filer	Accelerated filer	(Do not check if a smaller reporting company)	Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided to Section 7(a)(2)(B) of the Securities Act.

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Proposed Maximum Aggregate Offering Price (1)	Amount of Registration Fee (1)
Units consisting of shares of Series A Convertible Preferred Stock, no par value, and warrants to purchase shares of common stock, no par value	\$10,000,000	\$1,245
Non-transferable rights to purchase units (2)	—	—
Series A Convertible Preferred Stock included as part of the units	Included with units above	—
Warrants to purchase shares of common stock included as part of the units (3)	Included with units above	—
Common stock issuable upon conversion of the Series A Convertible Preferred Stock (4)(5)	—	—
Common stock issuable upon exercise of the warrants (5)	\$[_____]	\$[_____]
Total	\$[_____]	\$[_____]

- (1) Estimated solely for purposes of calculating the registration fee in accordance with Rule 457(a) of the Securities Act of 1933, as amended (the "Act").

- (2) The rights are being issued without consideration. Pursuant to Rule 457(g), no separate registration fee is payable with respect to the rights being offered hereby since the rights are being registered in the same registration statement as the securities to be offered upon exercise of such rights.

- (3) Pursuant to Rule 457(g) of the Act, no separate registration fee is required for the warrants because the warrants are being registered in the same registration statement as the common stock of the Registrant issuable upon exercise of the warrants.

- (4) Pursuant to Rule 457(i) of the Act, no separate registration fee is required for the common stock issuable upon conversion of the Series A Convertible Preferred Stock because no additional consideration will be received in connection with the exercise of the conversion privilege.

- (5) In addition to the shares of common stock set forth in this table, pursuant to Rule 416 under the Act, this registration statement also registers such indeterminate number of shares of common stock as may become issuable upon conversion or exercise of these securities as the same may be adjusted as a result of stock splits, stock dividends, recapitalizations or other similar transactions.

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 the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, dated September 18, 2018

PRELIMINARY PROSPECTUS

**Subscription Rights to Purchase Up to _____ Units
Consisting of an Aggregate of Up to _____ Shares of Series A Convertible Preferred
Stock and Warrants to Purchase Up to _____ Shares of Common Stock
at a Subscription Price of \$1,000 Per Unit**

We are distributing to holders of our common stock, at no charge, non-transferable subscription rights to purchase units. Each unit consists of one share of Series A Convertible Preferred Stock and ____ warrants. Each warrant will be exercisable for one share of our common stock. We refer to the offering that is the subject of this prospectus as the rights offering. In the rights offering, you will receive one subscription right for every share of common stock owned at 5:00 p.m., Eastern Time, on _____, 2018, the record date of the rights offering. The Series A Convertible Preferred Stock and the warrants comprising the units will be separate upon the closing of the rights offering and will be issued separately, however, they may only be purchased as a unit, and the units will not trade as a separate security. The subscription rights will not be tradable.

Each subscription right will entitle you to purchase one unit, at a subscription price of \$1,000 per unit, which we refer to as the basic subscription right. Each warrant entitles you to purchase ____ share of common stock at an exercise price of \$__ per share from the date of issuance through its expiration five (5) years after the date of issuance. If you fully exercise your basic subscription right, you may also exercise an over-subscription privilege to purchase additional units that remain unsubscribed to at the expiration of the rights offering, subject to the availability and pro rata allocation of units among stockholders exercising this over-subscription privilege. If all the rights are exercised, the total purchase price of the units offered in the rights offering will be approximately \$__ million.

The number of units you may purchase in the rights offering is limited by the number of shares of our common stock you held on the record date and by the extent to which the offering is oversubscribed due to other shareholders exercise of their basic subscription rights and/or over-subscription privileges, which we cannot determine prior to the

completion of the rights offering. The subscription rights will expire if they are not exercised by 5:00 p.m., Eastern Time, on _____, 2018, unless we extend the rights offering period. You should carefully consider whether to exercise your subscription rights prior to the expiration of the rights offering. All exercises of subscription rights are irrevocable, even if the rights offering is extended by our Board of Directors.

We have not entered into any standby purchase agreement or other similar arrangement in connection with the rights offering. The rights offering is being conducted on a best-efforts basis and there is no minimum amount of proceeds necessary to be received in order for us to close the rights offering.

Our Board of Directors is making no recommendation regarding your exercise of the subscription rights. The subscription rights may not be sold, transferred or assigned and will not be listed for trading on any stock exchange or market or on the NASDAQ Capital Market. Our Board of Directors may cancel the rights offering at any time prior to the expiration of the rights offering for any reason. In the event the rights offering is cancelled, all subscription payments received by the subscription agent will be returned, without interest, as soon as practicable.

We have engaged Maxim Group LLC to act as dealer-manager for this offering.

We are conducting this offering to raise capital that we intend to use for repayment of certain outstanding indebtedness, for capital expenditures, for working capital and general corporate purposes (See "Use of Proceeds").

Broadridge Corporate Issuer Solutions, Inc. will serve as the subscription agent for the rights offering. The subscription agent will hold in escrow the funds we receive from subscribers until we complete, abandon or terminate the rights offering. If you want to participate in this rights offering and you are the record holder of your shares of common stock, we recommend that you submit your subscription documents to the subscription agent well before the deadline of the rights offering period. If you want to participate in this rights offering and you hold shares through your broker, dealer, custodian bank or other nominee, you should promptly contact your broker, dealer, custodian, bank or other nominee and submit your subscription documents in accordance with the instructions and within the time period provided by your nominee.

Our Board of Directors reserves the right to terminate the rights offering for any reason any time before the closing of the rights offering. If we terminate the rights offering, all subscription payments received will be returned within 10 business days, without interest or deduction. We expect the rights offering to expire on or about _____, 2018, subject to our right to extend the rights offering as described above, and that we would close on subscriptions within five business days.

Our common stock is currently quoted on the NASDAQ Capital Market under the symbol "CTIB". On September [], 2018, the last reported sale price per share of our common stock on the NASDAQ Capital Market was \$[_____]. We do

not currently intend to apply for listing of the Series A Convertible Preferred Stock or warrants on any securities exchange or recognized trading system.

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Our principal executive offices are located at 22160 N. Pepper Rd., Lake Barrington, IL 60010. Except as otherwise indicated herein or as the context otherwise requires, references in this prospectus to the “Company,” “CTI,” “we,” “us,” “our” and similar references refer, collectively, to CTI Industries Corporation, its Mexico subsidiary (Flexo Universal, S. de R.L de C.V.), its United Kingdom subsidiary (CTI Balloons Limited), its German subsidiary (CTI Europe GmbH) and CTI Supply, Inc.

	Per Unit	Total (2)
Subscription price	\$1,000	\$_____
Dealer-manager fees and expenses (1)	\$_____	\$_____
Proceeds to us, after fees and before expenses	\$_____	\$_____

(1) In connection with the rights offering, we have agreed to pay Maxim Group LLC as the dealer-manager a cash fee equal to 7.0% of the gross proceeds received by us directly from exercises of the subscription rights. We have also advanced the dealer-manager \$35,000 and agreed to reimburse the dealer-manager for its expenses up to a maximum of \$90,000. Please see "*Plan of Distribution*."

(2) Assumes the rights offering is fully subscribed, but excludes proceeds from the exercise of warrants included in the units.

You should read this prospectus, the documents incorporated by reference, any prospectus supplement or free writing prospectus that we may authorize for use in connection with this offering, in their entirety before making an investment decision. You should also read and consider the information in the documents to which we have referred you in the section of this Prospectus entitled “Where You Can Find Additional Information.” These documents contain important information which you should consider when making your investment decision.

We are only responsible for the information contained in, or incorporated by reference into, this prospectus, any prospectus supplement or in any free writing prospectus prepared by or on behalf of us or to which we have referred you. We have not authorized anyone to provide any information other than that contained in this prospectus, in any prospectus supplement or in any free writing prospectus prepared by or on behalf of us or to which we have referred you. We are offering to sell, and seeking offers to buy, securities only in jurisdictions where such offers and sales are permitted. The information in this prospectus, in any prospectus supplement or in any free writing prospectus is accurate only as of its date, regardless of its time of delivery or of any sale of securities. Our business, financial condition, results of operations and prospects may have changed since that date.

Unless otherwise indicated, information contained in this prospectus concerning our industry and the markets in which we operate, including our general expectations and market position, market opportunity and market share is based on information from our own management estimates and research, as well as from industry and general publications and research conducted by third parties. Management estimates are derived from publicly available information, our knowledge of our industry and assumptions based on such knowledge, which we believe to be reasonable. In addition, assumptions and estimates of our and our industry's future performance are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in "Risk Factors". Those and other factors could cause our future performance to differ materially from our assumptions and estimates. See "Cautionary Note Regarding Forward Looking Statements".

Investing in our securities involves risks. You should carefully consider the Risk Factors beginning on page [24] of this prospectus before you make an investment in our securities.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Dealer-Manager

Maxim Group LLC

The date of this prospectus is _____, 2018

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Neither we, nor the dealer-manager, has authorized anyone to provide any information or to make any representations other than those contained in this prospectus or in any free writing prospectus prepared by or on behalf of us or to which we have referred you. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus is an offer to sell only the units offered hereby, but only under the circumstances and in the jurisdictions where it is lawful to do so. The information contained in this prospectus or in any applicable free writing prospectus is current only as of its date, regardless of its time of delivery or any sale of shares of our common stock. Our business, financial condition, results of operations and prospects may have changed since that date. We are not, and the dealer-manager is not, making an offer of these securities in any jurisdiction where such offer is not permitted.

For investors outside the United States: Neither we nor the dealer-manager has done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the offering of securities and the distribution of this prospectus outside the United States.

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You should read this prospectus, any applicable prospectus supplement and the information incorporated by reference in this prospectus before making an investment in the securities of CTI Industries Corporation. See "*Where You Can Find Additional Information*" on page [55] for more information. You should rely only on the information contained in or incorporated by reference in this prospectus or a prospectus supplement. The Company has not authorized anyone to provide you with different information. This document may be used only in jurisdictions where offers and sales of these securities are permitted. You should assume that information contained in this prospectus, or in any document incorporated by reference, is accurate only as of any date on the front cover of the applicable document. Our business, financial condition, results of operations and prospects may have changed since that date.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated by reference herein contain, in addition to historical information, certain forward-looking statements. within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended, that include information relating to future events, future financial performance, strategies, expectations, competitive environment, regulation and availability of resources. Such forward-looking statements include those that express plans, anticipation, intent, contingency, goals, targets or future development and/or otherwise are not statements of historical fact. These forward-looking statements are based on our current expectations and projections about future events and they are subject to risks and uncertainties known and unknown that could cause actual results and developments to differ materially from those expressed or implied in such statements.

In some cases, you can identify forward-looking statements by terminology, such as "expects," "anticipates," "intends," "estimates," "plans," "believes," "seeks," "may," "should," "could," or the negative of such terms or other similar expressions. Accordingly, these statements involve estimates, assumptions and uncertainties that could cause actual results to differ materially from those expressed in them. Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this prospectus or incorporated herein by reference.

You should read this prospectus and the documents we have incorporated by reference or filed as exhibits to the registration statement, of which this prospectus is part, completely and with the understanding that our actual future results may be materially different from what we expect. You should not assume that the information contained in this prospectus or any prospectus supplement or free writing prospectus is accurate as of any date other than the date on the front cover of those documents, or that the information contained in any document incorporated by reference is accurate as of any date other than the date of the document incorporated by reference, regardless of the time of delivery of this prospectus or any sale of a security.

Risks, uncertainties and other factors that may cause our actual results, performance or achievements to be different from those expressed or implied in our written or oral forward-looking statements may be found in this prospectus

under the heading "Risk Factors" and in our Report on Form 10-K for the period ended December 31, 2017, under the heading "Business," as updated in our Quarterly Report(s) on Form 10-Q.

Forward-looking statements speak only as of the date they are made. You should not put undue reliance on any forward-looking statements. We assume no obligation to update forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information, except to the extent required by applicable securities laws. If we do update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

New factors emerge from time to time, and it is not possible for us to predict which factors will arise. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We qualify all of the information presented in this prospectus and incorporated herein by reference, and particularly our forward-looking statements, by these cautionary statements.

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PROSPECTUS SUMMARY

The following summary highlights certain of the information contained elsewhere in or incorporated by reference into this prospectus. Because this is only a summary, however, it does not contain all the information you should consider before investing in our securities and it is qualified in its entirety by, and should be read in conjunction with, the more detailed information included elsewhere in or incorporated by reference into this prospectus. Before you make an investment decision, you should read this entire prospectus carefully, including the risks of investing in our securities discussed under the section of this prospectus entitled "Risk Factors" and similar headings in the other documents that are incorporated by reference into this prospectus. You should also carefully read the information incorporated by reference into this prospectus, including our financial statements, and the exhibits to the registration statement of which this prospectus is a part.

Unless the context otherwise requires, references to "we," "our," "us," "CTI" or the "Company" in this prospectus mean CTI Industries Corporation on a consolidated basis with its wholly-owned subsidiary, as applicable.

Our Company

We have been engaged in the business of developing flexible film products for over 40 years and have grown to become a leading global provider of innovative consumer and commercial products which employ this technology. We are a leading designer, developer and producer of plastic, foil and latex balloons that we market and sell throughout the United States and in more than 30 countries worldwide. We have developed, produced and marketed consumer vacuum sealing systems for the home and we produce printed and laminated films for commercial packaging applications.

Our principal lines of products include:

Novelty Products consisting principally of foil and latex balloons and other consumer products.

Vacuum Sealing Containers and Sealing Devices for home and consumer use to vacuum seal, store and preserve food and personal items. These products are sold under the Ziploc® brand name, under license agreement and the Clever Fresh™ brand.

Flexible Films for food and other commercial and packaging applications.

In addition to these principal product lines we engage in (i) the assembly and sale of Candy Blossoms (small gift bouquets of arranged candy items often including ribbons and/or a small foil balloon), (ii) the distribution in Mexico of party goods products, and (iii) the sale and distribution of home containers and organizing products (some of which we produce) to and through a related entity which distributes these products through a network of independent distributors.

We leverage our creative and technological expertise to design and develop proprietary products and introduce those new products each year. We have acquired significant technology and know-how since commencing operations. We currently hold several patents, related to flexible film products including specific films, zipper closures, valves and other features of these products.

Our principal production processes include:

Coating and laminating rolls of flexible film. Generally, we adhere polyethylene film to another film such as nylon or polyester.

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

Converting printed film to balloons.

Converting film to flexible containers.

Producing latex balloons and other latex novelty items.

Assembling and inflating of novelty products and balloons and Candy Blossoms.

In 1978, we began manufacturing metalized balloons (often referred to as "foil" balloons), which are balloons made of a base material (usually nylon or polyester) often 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 1999, we acquired extrusion coating and laminating machines and began production of coated, laminated and printed films, which we have produced since that time. These flexible films are used in the coating, laminating, and printing of flexible films for our container and novelty products and sold to other companies that use them in the production of flexible containers for the storage of liquids, food products, household goods, and other items. In 2012, we commenced the distribution of home container and organizing products, some of which we produce, to and through a related entity that distributes those products through a network of independent distributors in the United States.

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In 2014, we began assembling and producing Candy Blossoms which include candy inserted into a container, and at times, decorated with air-filled balloons.

In 2015, we commenced the distribution of party goods in Mexico.

We market and sell our foil and latex balloons and related novelty items throughout the United States, Canada and Mexico and in a number of other countries in Latin America and Europe. We supply 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 foil balloons contain printed characters, designs and social expression messages, such as “Happy Birthday,” “Get Well” and similar items. For some of our balloon designs, we obtain licenses for well-known characters and print those characters and messages on our balloons.

We produce pouches and rolls of film for use as flexible containers in a variety of applications, including (i) zippered pouches with valves for vacuum sealing of food and household products, and (ii) pouches and rolls of film for use with vacuum sealing machines to vacuum seal, store and protect food and household items. We market and sell flexible containers and rolls of film for consumer storage uses through retail chains and outlets throughout the United States, and we provide flexible containers to others for resale. We market and sell vacuum sealing machines for use with pouches and rolls of film for the vacuum storage of food and household products.

We provide customized laminated films and printed films to customers who utilize the film to produce bags or pouches for the packaging of food, liquids and other items.

In 2017, our revenues from our product lines, as a percent of total revenues were:

Novelty Products	69% of revenues
Vacuum Sealing Containers and Devices	14% of revenues
Flexible Film Products	4% of revenues
Other Products	13% of revenues

We are an Illinois corporation with our principal offices and plant at 22160 N. Pepper Road, Lake Barrington, Illinois.

Business Strategy and Developments

Beginning in 2017, we implemented a series of initiatives that we believe have stabilized our operations and created a foundation for improved performance in 2018. These actions are expected to strengthen profitability, enhance efficiencies, improve product quality, catalyze business development, and expand our geographic and product footprints. As a result of these actions, and while acknowledging the existence of certain operational and general industry challenges, for the full year of 2018 we expect higher net sales, lower total operating expenses, and more profitable operations when compared to 2017.

Our business strategy and recent developments related to our business include the following:

New Management. Significant management changes occurred on or about December 1, 2017. John Schwan retired as CEO and continued as Chairman of the Board. Mr. Stephen Merrick, then President, assumed the role as CEO. Mr. Jeffrey Hyland joined CTI as President. Messrs. Merrick and Hyland both report directly to the Board of Directors. Mr. Frank Cesario joined as CFO, and Mr. Jeffrey Memenga joined as Plant Manager for our domestic locations. Finally, the Manager of our European operations (based in Germany), Mr. Manfred Jakobi, was promoted to be the Manager over both our European and U.K. operations. New management immediately developed and implemented an extensive 100-Day Action Plans to address immediate needs of the organization.

Expense Reductions. In order to improve results, during 2017 and 2018, management has implemented approximately \$3.0 million in annualized expense reductions. As part of our ongoing improved profitability and efficiency initiative, additional expense reductions are in process during 2018 that, if appropriate, will be implemented during late 2018 and 2019.

Refinancing. During December 2017, we secured new financing from PNC Bank, National Association, and immediately repaid all tranches of our prior credit facility including senior debt, term debt, and mezzanine debt along with the related warrants.

Manufacturing Capacity Expansion. In order to meet growing customer demand, during 2018, we installed two new foil balloon converting machines that, operating at full capacity, increases our foil balloon manufacturing volume by approximately 35%. While significantly increasing capacity, these new machines are also an important factor in another workstream, our quality improvement initiative. We plan additional capital investment with the proceeds of this offering to upgrade and maintain our production systems and to add new production capacity.

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Sales Initiative. We are transforming our business to focus on organic, profitable sales growth. In working with existing and new customers, we have developed a new Sales Pipeline report that represents substantial sales opportunities. In our vernacular, we include items on the Sales Pipeline report as specific opportunities that we are actively pursuing for new business. By definition, opportunities included on the Sales Pipeline report have not been awarded to us and we may not win as new business. The opportunities dramatically range in size and are across all our product lines and geographies. We intend on adding sales people and/or third-party distributors in the future. Our sales initiative is a critical driver of our strategic vision in order to aggressively take market share in the competitive markets that we compete.

Continuous Profit Improvement. In 2018, as part of a continuous profit improvement initiative, we are challenging our business model and are in various stages of assessment. We are evaluating what we are manufacturing, where we are manufacturing, how we are manufacturing, and the suppliers we are using. We are also evaluating our strategic alternatives as they relate to investments. In response to the new U.S. tariffs implemented and potentially being implemented by the U.S. government on other countries, we are addressing the pricing of our products with our customers. Our senior management team is committed to continuously improving the Company's profitability and we have multiple workstreams with the objective to achieve that result.

New Products. Given the competitive nature of our industries, we must continue to develop new products to stay at the forefront and provide fresh ideas to our customers. In 2018, we have presented and are presenting several new products to the marketplace. Our Creative Department has developed several new potential foil balloon products. We have also redesigned our Candy Blossom product, and as such, have enjoyed significant growth in that category with also a great deal of interest from potential customers. In our commercial films business, we are continually designing new products based on customer needs.

Acquisitions. While there is no guarantee that we would ultimately be successful, we intend actively to pursue acquisitions in 2019. During 2018, we evaluated two potential acquisitions and passed on them due to strategic reasons. Potential acquisition targets would be in our existing product lines of balloons, commercial films, and party goods in order to achieve synergistic benefits from the acquisitions. The targets range in revenue size as compared to the Company from smaller to larger and vary across domestic and international geographies.

Growth Strategy

Our growth strategy entails pursuing organic opportunities with our existing customer base, developing new product lines, pursuing new customers, expanding our geographic presence and pursuing strategic acquisitions. We are currently aggressively pursuing existing and new customers in our current markets and product lines. In order to achieve our growth plans, we are implementing the following tactics:

- ***Pursue domestic sales opportunities with existing customers.*** We see growth opportunities by expanding sales to existing domestic customers, which to some degree has been limited in the past by capacity constraints. This year our capital investment in equipment has increased our foil balloon manufacturing capacity by approximately 35% and we are continuing to add capacity. We intend to capitalize on this added capacity to capture more market share from our competitors. We have continued to increase capacity as a result of the demand of our products from our customers as well as capitalizing on other current opportunities across our other product lines that we offer. This growth will require our creative department to continue to create new and exciting balloon products.
- ***Develop and introduce new customer and end user-focused products.*** Given the growth we are experiencing and anticipate to experience with new products such as our small format vacuum sealing machine, U Fill 'Ems/Fun Fills, balloon shapes, and the redesigned Candy Blossom line, our customers are coming to expect CTI to introduce creative new and redesigned products. We have an active new product and R&D initiative to stay at the forefront of consumer trends.
- ***Pursue new customers.*** We are actively pursuing multiple new customer opportunities. Historically, with our limited foil balloon manufacturing capacity, we were unable to pursue all new customer opportunities. With our increased balloon capacity, we are now aggressively approaching new customers or customers that we previously were unable to fully service. We believe we will grow our customer base which will enable us to capture new market share as a result of this new manufacturing capacity. In regards to our commercial films product line, we have a substantial opportunity to better utilize our existing equipment. Currently, our commercial films equipment is only utilized approximately 14%, whereas the equipment is designed to run continuously. We have active sales strategies and opportunities for both tolling and end-user applications to fill the available machine time.
- ***Expand our geographic presence.*** We have several current and potential international customers with whom we have opportunities to expand our relationship. Our international sales teams are establishing relationships and developing new relationships to grow their business. In certain situations, we are pursuing sales opportunities by utilizing a partnership with a separate party goods manufacturer that allows CTI to sell more products to our existing buyers and to become a one-stop-shop for party and balloon products. In other situations, we are opening doors utilizing our existing product line with customers that not are offering our products in their merchandising strategy.

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- ***Pursue strategic acquisitions.*** We believe there are significant synergistic opportunities to acquire companies that operate in our existing product lines. Acquisitions in the commercial films industry would allow greater inroads into that growth segment and better utilize our equipment while reducing our current customer concentration and seasonality. Additionally, we believe we will be able to rationalize significant cost savings from potential acquisition targets as a result of our fully integrated operating and manufacturing platform. Acquisitions in balloons and party goods would provide the framework for a greater breadth of product offering, geographic footprint, and manufacturing expertise and capacity. We also believe that acquisitions in non-core vertical segments will allow us to better monetize our customer relationships.

Products

Foil Balloons. We have designed, produced and sold foil balloons since 1979 and, we believe we are the second largest manufacturer of foil balloons in the United States. Currently, we produce several hundred foil balloon designs in different shapes and sizes.

In addition to size and shape, a principal element of the Company's foil balloon products is the printed design or message contained on the balloon. These designs may include figures and licensed characters many of which are well known. We recognize that consumer trends and preferences, and competing products, are constantly changing. In order to compete effectively in this product line, we must constantly innovate and develop new designs, shapes and products.

Latex Balloons. Through our subsidiary in Guadalajara, Mexico, Flexo Universal, S. de R.L. de C.V. ("Flexo Universal"), we manufacture latex balloons in a wide variety of sizes and colors. Many of these balloons are marketed under the name Partyloons® and other balloons are also marketed on a private label basis. We also manufacture toy balloon products including punch balls, water bombs and "Animal Twisties."

Vacuum Sealing Pouches and Systems. We produce, market, and sell consumer vacuum storage pouches and systems for the vacuum storage of food and other household items. We produce (i) vacuum sealable bags and rolls of film for use with vacuum sealing devices for household storage, and (ii) valved, resealable bags also for vacuum storage uses. Our valved, resealable bags function with a small hand or battery-powered pump to evacuate air from the bag when it is sealed. Since 2012, we have produced and marketed vacuum sealable bags and rolls of film under the Ziploc® brand. We also market vacuum sealing machines, produced for us, under the Ziploc® Brand Vacuum Sealer System. We have produced and marketed a line of valved, resealable bags under our ZipVac™ line and a line of valved, resealable bags, including a line of vacuum sealing canisters sold under the brand Clever Fresh™ by our affiliate, Clever Container Company.

Packaging Films and Custom Film Products. A large and increasing number of both consumer and commercial products are packaged in pouches or containers utilizing flexible films. Often such containers include printed labels and designs. We produce and sell films that may be utilized for the packaging of a wide variety of products and liquids. We laminate, extrusion coat, and adhesive coat flexible films for these purposes and we provide flexographic printing for the films we produce. We can produce a variety of customized film products, and provide printing services, to meet the specific packaging needs of a wide variety of customers.

Other Products. We distribute, and to some degree produce, home organization and container products for Clever Container Company, an entity in which we have a 28.5% interest and which is consolidated with our company as a variable interest entity. Clever Container engages in the direct sale of such products through a network of independent distributors. In 2014, we began assembly and sale of our Candy Blossom product line. In 2015, we began to distribute party goods in Mexico.

Markets

Foil Balloons

The foil balloon came into existence in the late 1970s. During the 1980s, the market for foil balloons grew rapidly. Initially, the product was sold principally to individual vendors, small retail outlets and at fairs, amusement parks, shopping centers and other outdoor facilities and functions. Foil balloons remain buoyant when filled with helium for extended periods of time and they permit the printing and display of graphics and messages. As a result, the product has significant appeal as a novelty and message item. Foil balloons became part of the "social expression" industry, carrying graphics designs, characters and messages like greeting cards. In the mid-1980s, we and other participants in the market began licensing character and cartoon images for printing on the balloons and directed marketing of the balloons to retail outlets including grocery, general merchandise, discount and drug store chains, card and gift shops, party goods stores as well as florists and balloon decorators. These outlets now represent the principal means for the sale of foil balloons throughout the United States and in a number of other countries, although individual "vendors" remain a means of distribution in a number of areas.

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Foil balloons are now sold in virtually every region of the world. The United States, however, remains the largest market for these products.

Foil balloons are sold in the United States and foreign countries directly by producers to retail outlets and through distributors and wholesalers. Often the sale of foil balloons by the wholesalers/distributors is accompanied by related products including latex balloons, floral supplies, candy containers, mugs, plush toys, baskets and a variety of party goods.

Latex Balloons

For a number of years, latex balloons and related novelty/toy latex items have been marketed and sold throughout the United States and in many other countries. Latex balloons are sold as novelty/toy items, for decorative purposes, as part of floral designs and as party goods and favors. In addition to standard size and shape balloons, inflatable latex items include punch balls, water bombs, balloons to be twisted into shapes, and other specialty designs. Often, latex balloons include printed messages or designs.

Latex balloons are sold principally in retail outlets, including party goods stores, general merchandise stores, discount chains, gift stores and drugstore chains. Latex balloons are also purchased by balloon decorators and floral outlets for use in decorative or floral designs. Printed latex balloons are sold both in retail outlets and for balloon decoration purposes including floral designs. Latex balloons are sold both through distributors and directly to retail outlets by the producers.

Flexible Containers/Pouches

The market for flexible containers and pouches is large and diverse. Many companies engaged in the production of food items package their products in flexible containers or pouches, and, therefore, represent a market for these containers.

Flexible containers and pouches are sold and utilized in the consumer market in numerous forms. They include simple open-top plastic bags, resealable bags and zippered bags. The market also includes containers and pouches of special design or purpose, including vacuumable bags for storage of food or household items or commercial uses.

We participate in a segment of the market for vacuum sealing and storage of food and household items. These products generally are sold in retail chain stores, and to some degree, in grocery stores, and, recently, in a direct sales channel. The product lines sold include (i) zippered, resealable bags, incorporating a valve through which air can be evacuated by a hand pump or other device, (ii) pouches or rolls of film which can be sealed by vacuum sealing devices and (iii) vacuum sealing devices.

Printed and Specialty Films

The industry and market for printed and specialty films are fragmented and include many participants. There are hundreds of manufacturers of printed and specialty film products in the United States and in other markets. In many cases, companies who provide food and other products in film packages also produce or process the films used for their packages. The market for the Company's film products consists principally of companies who utilize the films for the packaging of their products, including food products and other items, usually by converting the film to a flexible container.

Marketing, Sales and Distribution

Balloon Products

We often work in collaboration with our customers on designs, promotions, and other elements of marketing and selling. Our customers are typically retailers who sell our products to ultimate customers. We do not have long term contracts or commitments with our balloon customers. Maintaining sales to our customers is dependent on our ability to develop and produce competitive marketable products of good quality and to perform to our customers' expectations.

We market and sell our foil balloon, latex balloon and related novelty products throughout the United States and in a number of other countries. We maintain marketing, sales and support staff and a customer service department in the United States. Sales in the United Kingdom are conducted by CTI Balloons Ltd. ("CTI Balloons"), the Company's subsidiary located in Rugby, England. Sales in Europe are conducted by CTI Europe GmbH ("CTI Europe"), the Company's subsidiary located in Heusenstamm, Germany. Flexo Universal, our subsidiary in Mexico, conducts sales and marketing activities for the sale of balloon products in Mexico, Latin America, and certain other markets. Sales in other foreign countries are made generally to distributors in those countries and are managed at the Company's principal offices.

We sell and distribute our balloon products (i) by our employed staff of sales and customer service personnel in the United States, Mexico, the UK and Germany, (ii) through a network of distributors and wholesalers in the United States, Mexico, the UK and Europe, (iii) through several groups of independent sales representatives, and (iv) to retail chains. Our balloon products are generally sold through retail outlets including grocery, general merchandise and drug store chains, card and gift shops and party goods stores, as well as florists and balloon decorators.

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We engage in a variety of advertising and promotional activities to promote the sale of our balloon products. We produce a complete catalog of our balloon products, and also prepare various flyers and brochures for special or seasonal products which we disseminate to thousands of customers, potential customers and others. We participate in several trade shows for the gift, novelty, balloon and other industries and advertise in several trade and other publications. We maintain websites which show images of our products.

Flexible Containers/Pouches

We market several lines of flexible containers or pouches for household use to vacuum seal, store and preserve food and other household items.

We developed and, for several years, we have produced and sold a line of pouches and rolls of film for use with vacuum sealing machines to vacuum seal food and household items. Initially, we marketed these products through various retail channels under our brand or on a private label basis. On December 14, 2011, the Company entered into a Trademark License Agreement with SC Johnson under which the Company is licensed to manufacture and sell a line of vacuum sealing machines and pouches under the Ziploc® Brand Vacuum Sealer System. The agreement was initially for a three-year term expiring on December 31, 2014 and was extended to December 31, 2017 and then to December 31, 2019. The licensed product line includes vacuum sealing machines manufactured for the Company and pouches and rolls manufactured by the Company for use in the home to vacuum seal food items to preserve freshness and help prevent freezer burn.

During 2007, we introduced a line of re-sealable pouches incorporating a valve permitting the evacuation of air from the sealed pouch by use of a hand pump supplied with the pouches. This line of products has been marketed under the brand name ZipVac®. We now produce a line of resealable pouches under the brand Clever Fresh™ which we provide to our affiliate Clever Container Company for sale and distribution to its network of independent distributors.

Printed and Specialty Films

We market and sell printed and laminated films directly and through independent sales representatives throughout the United States. We sell laminated and printed films to companies that utilize these films to produce packaging for a variety of products, including food products, in both solid and liquid form, such as cola syrup, coffee, juices and other items. We seek to identify and maintain customer relationships in which we provide added value in the form of technology or systems.

Other Products

Other products are sold through both our internal sales force directly to customers and through independent sales representatives. These products are generally sold to retailers throughout the world.

Production and Operations

We conduct our operations at our facilities including: (i) our 68,000 square feet facility in Lake Barrington, Illinois, incorporating our headquarters office, production and warehouse space, (ii) our 118,000 square foot facility in Lake Zurich, Illinois consisting of warehouse, packaging and office space, (iii) a 73,000 square foot facility in Guadalajara, Mexico, consisting of office, warehouse and production space, (iv) a 9,000 square foot facility in Rugby, England consisting of office and warehouse/assembly space, and (v) a 13,000 square foot facility in Heusenstamm, Germany (near Frankfurt), consisting of office and warehouse/assembly space.

Our production operations include (i) lamination and extrusion coating of films, (ii) slitting of film rolls, (iii) printing on film and on latex balloons, (iv) converting film to completed products including balloons, flexible containers and pouches, (v) producing latex balloon products, (vi) inflating of air-filled balloons, and (vii) assembling Candy Blossoms. We perform all of the lamination, extrusion coating and slitting activities in our Lake Barrington, Illinois plant and produce all of our latex balloon products at our Guadalajara, Mexico plant. We print on films in Lake Barrington, Illinois and we print on latex balloons in Guadalajara, Mexico. We complete air-filling and assembly of balloons in all our facilities except Lake Barrington, Illinois. We assemble Candy Blossoms in our Lake Zurich, Illinois facility.

We warehouse raw materials at our plants in Lake Barrington, Illinois and Guadalajara, Mexico and we warehouse finished goods at all of our facilities. We maintain customer service and fulfillment operations at each of our warehouse locations. We conduct sales operations for the United States and for all other markets, except those handled by our Mexico, Germany and England facilities, at the Lake Barrington, Illinois facility. Sales for Mexico and Latin America are handled at our Guadalajara, Mexico facility; sales for the United Kingdom are handled at our Rugby, England facility; sales for Europe are conducted from our facilities in Heusenstamm, Germany. In addition to warehouse and sales activities at these locations, we engage in some assembly, balloon inflation and related activities.

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We maintain a graphic arts and development department at our Lake Barrington, Illinois facility which designs our balloon products and graphics. Our creative department operates a networked, computerized graphic arts system for the production of these designs and of printed materials including catalogues, advertisements and other promotional materials. As many of our products are custom designed or created to fulfill promotional schedules, we sometimes have excess inventory that must be sold at a discount or otherwise disposed of. Any such disposition will typically negatively impact our profit margin.

We conduct administrative and accounting functions at our headquarters in Lake Barrington, Illinois and at our other facilities.

Patents, Trademarks, Copyrights and Trade Secrets

Patent Rights. We hold 9 issued patents in the United States and 7 corresponding issued patents in foreign countries, and have one patent application pending in the United States. Of these, one U.S. patent expires during 2018, while the other patents are not scheduled to expire until various times during the 2020s. These include (i) patents related to the design and structure of, and method of, inserting and affixing, zipper-closure systems in a bag, (ii) patents related to one-way valves for pouches, (iii) a patent related to methods of embossing film and utilizing such film to produce pouches with fitments, (iv) a patent related to vacuumable storage bags with fitments, and (vi) a patent application related to vacuum sealing equipment.

Proprietary Designs and Copyright Licenses. We design the shapes and graphic designs of most of our foil balloon products and maintain thousands of proprietary designs. We also maintain licenses on certain characters and designs for our balloon products.

Trademarks. We own six registered trademarks in the United States relating to our balloon products. Our trademark CTI is also registered in the United Kingdom.

Trade Secrets. We develop, use and maintain confidential information and trade secrets relating to materials, sources, methods of production, formulas, and other information related to our operations. We protect such information by the use of confidentiality agreements with our employees and those with whom we do business.

While these intellectual property rights are helpful, the degree of protection they afford is uncertain. Competitors may violate our intellectual property rights, forcing us to decide whether to challenge them. Such rights may or may not withstand challenge. Conversely, entities may charge us with violating their intellectual property rights. Failure to

protect our rights, or conflict with the rights of one or more other entities, may negatively impact our financial and competitive position.

Research and Development

We maintain a product development and research group for the development or identification of new products, product designs, product components and sources of supply. Research and development includes (i) creative product development and design, (ii) creative marketing, and (iii) engineering development. During each of the fiscal years ended December 31, 2017 and 2016, we estimate that the total amount spent on research and development activities was approximately \$344,000 and \$496,000, respectively.

Corporate Information

We were incorporated in Illinois on August 15, 2001. Our principal executive offices are located at 22160 N. Pepper Road, Lake Barrington, Illinois 60010. Our telephone number is (847) 382-1000 and our website address is www.CTIIndustries.com. The information on our website is not a part of, and should not be construed as being incorporated by reference into, this prospectus supplement or the accompanying prospectus.

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SUMMARY OF THE RIGHTS OFFERING

Securities to be Offered:	We are distributing to you, at no charge, one non-transferable subscription right to purchase one unit for every share of our common stock that you owned as of the record date. Each unit consists of one share of Series A Convertible Preferred Stock and __ warrants to purchase __ shares of our common stock at the price of \$_____.
Size of Offering:	_____ units.
Subscription Price:	\$1,000 per unit.
Series A Convertible Preferred Stock:	Each share of Series A Convertible Preferred Stock will be convertible, at our option at any time on or after the first anniversary of the closing of the rights offering, subject to certain conditions, or at the option of the holder at any time, into the number of shares of our common stock determined by dividing the \$_____ stated value per share of the Series A Convertible Preferred Stock by a conversion price of \$___ per share, subject to adjustment. The Series A Convertible Preferred Stock has certain conversion rights, dividend rights and liquidation preferences. The Series A Convertible Preferred Stock is non-voting.
Warrants:	Each warrant entitles the holder to purchase ____ share of common stock at an exercise price of \$__ per share, subject to adjustment, through its expiration five (5) years from the date of issuance. The warrants will be exercisable for cash, or, solely during any period when a registration statement for the exercise of the warrants is not in effect, on a cashless basis. We may redeem the warrants for \$0.01 per warrant if our common stock closes above \$_____ per share for ten consecutive trading days, provided that we may not do so prior to the first anniversary of closing of the rights offering, and only upon not less than 30 days' prior written notice of redemption.
Record Date:	5:00 p.m., Eastern Time, on _____, 2018.
Basic Subscription Rights:	Each subscription right entitles you to purchase one unit at the subscription price.
Over-Subscription Privilege:	If you exercise your basic subscription rights in full, you may also choose to purchase a portion of the units that are not purchased by our other holders through the exercise of their basic subscription rights, subject to proration and stock ownership limitations described elsewhere in this prospectus.
Expiration Date:	5:00 p.m., Eastern Time, on _____, 2018.
Procedure for Exercising Subscription Rights:	To exercise your subscription rights, you must take the following steps:

If you are a record holder of our common stock as of the record date, you must deliver payment and a properly completed rights certificate to the subscription agent to be received before 5:00 p.m., Eastern Time, on _____, 2018. You may deliver the documents and payments by first class mail or courier service. If you use first class mail for this purpose, we recommend using registered mail, properly insured, with return receipt requested.

If you are a beneficial owner of shares that are registered in the name of a broker, dealer, bank or other nominee, you should instruct your broker, dealer, bank or other nominee to exercise your subscription rights on your behalf. Please follow the instructions of your nominee, who may require that you meet a deadline earlier than 5:00 p.m., Eastern Time, on _____, 2018.

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Delivery of Shares and Warrants:	As soon as practicable after the expiration of the rights offering, and within five business days thereof, we expect to close on subscriptions and for the subscription agent to arrange for the issuance of the shares of Series A Convertible Preferred Stock and warrants purchased pursuant to the rights offering. All shares and warrants that are purchased in the rights offering will be issued in book-entry, or uncertificated, form meaning that you will receive a direct registration, or DRS, account statement from our transfer agent reflecting ownership of these securities if you are a holder of record of shares or warrants. If you hold your shares in the name of a bank, broker, dealer, or other nominee, DTC will credit your account with your nominee with the securities you purchased in the rights offering.
Non-Transferability of Subscription Rights:	Subscription rights may not be sold, transferred, assigned or given away under any circumstances, and will not be listed for trading on any stock exchange or market.
Transferability of Warrants:	The warrants will be separately transferable following their issuance and through their expiration 5 years from the date of issuance.
No Board Recommendation:	Our Board of Directors (the "Board") is not making a recommendation regarding your exercise of the subscription rights. You are urged to make your decision to invest based on your own assessment of our business and financial condition, our prospects for the future, the terms of the rights offering, the information in this prospectus and other information relevant to your circumstances. Please see " <i>Risk Factors</i> " for a discussion of some of the risks involved in investing in our securities.
No Revocation:	All exercises of subscription rights are irrevocable.
Use of Proceeds:	Assuming the exercise of subscription rights to purchase all _____ units offered in the rights offering, after deducting dealer-manager fees and other fees and expenses, but excluding any proceeds received upon exercise of any warrants, we estimate the net proceeds from the rights offering will be approximately \$_____ million. We intend to use the net proceeds for reduction of indebtedness, working capital, capital expenditures and general corporate purposes, including investing in or acquiring companies or technologies that are synergistic with or complementary to our company and technologies. See " <i>Use of Proceeds</i> ."
Material U.S. Federal Income Tax Consequences:	For U.S. federal income tax purposes, we do not believe you should recognize income or loss upon receipt or exercise of a subscription right. You should consult your own tax advisor as to the tax consequences of the rights offering in light of your particular circumstances. See " <i>Material U.S. Federal Income Tax Consequences</i> ."

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Extension and Termination:	We may extend the rights offering for additional time in our sole discretion, although we do not presently intend to do so. Our Board may also terminate the rights offering for any reason prior to its completion.
Subscription Agent Questions:	If you have any questions about the rights offering, please contact the subscription agent.
Subscription Agent:	Broadridge Corporate Issuer Solutions, Inc.
Market for Common Stock:	Our common stock is listed on the NASDAQ Capital Market under the symbol "CTIB."
Market for Preferred Stock:	There is no established public trading market for the Series A Convertible Preferred Stock, and we do not expect a market to develop. In addition, we do not currently intend to apply for listing of the Series A Convertible Preferred Stock on any securities exchange or recognized trading system.
Market for Warrants:	There is no established trading market for the warrants, the warrants may not be widely distributed and we do not expect a market to develop. In addition, we do not currently intend to apply for listing of the warrants on any securities exchange or recognized trading system.
Dealer-Manager:	Maxim Group LLC

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Corporation
and
Subsidiaries****Condensed
Consolidated
Statements of
Comprehensive
Income****unaudited**

	For the Six Months Ended June 30,		For the Twelve Months Ended December 31,	
	2018	2017	2017	2016
Net Sales	\$29,963,903	\$28,171,335	\$56,236,560	\$64,268,367
Cost of Sales	\$23,299,990	\$21,436,477	\$42,481,710	\$47,149,360
Gross profit	\$6,663,913	\$6,734,858	\$13,754,850	\$17,119,007
Operating expenses:				
General and administrative	\$3,564,536	\$3,767,871	\$7,657,338	\$7,378,296
Selling	\$1,817,333	\$1,909,294	\$3,638,241	\$4,748,061
Advertising and marketing	\$628,489	\$1,093,781	\$1,971,420	\$2,189,620
Other operating expense (income)	\$(47,413)	\$(93,117)	\$(141,910)	\$(36,745)
Total operating expenses	\$5,962,945	\$6,677,829	\$13,125,089	\$14,279,232
Income from operations	\$700,968	\$57,029	\$629,761	\$2,839,775
Other (expense) income:				
Interest expense	\$(1,114,840)	\$(732,646)	\$(1,576,229)	\$(1,454,589)
Foreign currency (loss) gain	\$11,043	\$(80,954)	\$(144,855)	\$43,263
Other non-operating income (expense), net	\$17,783	\$23,808	\$19,999	\$(103,636)
Net (loss) income before taxes	\$(385,046)	\$(732,763)	\$(1,071,324)	\$1,324,813
Income tax expense	\$(120,202)	\$(187,473)	\$711,533	