

CTI INDUSTRIES CORP
Form 10-K
March 30, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2015

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

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

incorporation or organization)

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

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

Securities Registered pursuant to sections 12(b) of the Act:

<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock, No Par	NASDAQ Capital Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

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 Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements

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incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting Company

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

Based upon the closing price of \$3.62 per share of the Registrant's Common Stock as reported on NASDAQ Capital Market tier of The NASDAQ Stock Market on June 30, 2015, the aggregate market value of the voting common stock held by non-affiliates of the Registrant was then approximately \$6,230,000. (The determination of stock ownership by non-affiliates was made solely for the purpose of responding to the requirements of the Form and the Registrant is not bound by this determination for any other purpose.)

The number of shares outstanding of the Registrant's Common Stock as of March 1, 2016 was 3,371,504 (excluding treasury shares).

DOCUMENTS INCORPORATED BY REFERENCE

Document	Part of Form 10-K into Which Document Is Incorporated
Sections of the registrant's Proxy Statement To be filed on or before April 30, 2016 for the Annual Meeting of Stockholders	Part III

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FORWARD-LOOKING STATEMENTS

This annual report includes both historical and “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. We have based these forward-looking statements on our current expectations and projections about future results. Words such as “may,” “should,” “could,” “would,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “potential,” “continue,” or similar words are intended to identify forward-looking statements, although not all forward-looking statements contain these words. Although we believe that our opinions and expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements, and our actual results may differ substantially from the views and expectations set forth in this annual report. We disclaim any intent or obligation to update any forward-looking statements after the date of this annual report to conform such statements to actual results or to changes in our opinions or expectations. These forward-looking statements are affected by factors, risks, uncertainties and assumptions that we make, including, without limitation, our participation in highly competitive markets, potential changes in the cost or availability of raw materials, our dependence on a limited number of suppliers, the possible inability to obtain an adequate supply of raw materials, our reliance on a limited number of key customers, the loss of one or more of our key customers, changing consumer demands, developments or changes in technology, risks of international operations and political environments, dependence on our intellectual property, compliance with federal, state or local regulations, restrictions included in the Company’s credit facility, the availability of funds under the Company’s credit facility, damage to or destruction of one or both of the Company’s principal plants, our ability to service our indebtedness, our ability to invest in needed plant or equipment.

PART I

Item No. 1 – Description of Business

Business Overview

We develop, produce and distribute a number of consumer products and sell these products throughout the United States and in over 35 other countries, and we produce film products for commercial and industrial uses in the United States. Many of our products utilize flexible films and, for a number of years, we have been a leading developer of innovative products which employ flexible films including novelty balloons, pouches and rolls of film for vacuum sealing and storage of products in the home and films for commercial packaging applications.

Our principal lines of products include:

Novelty Products consisting principally of foil and latex balloons and other inflatable toy items, and also Candy Blossoms (small containers of arranged candy items, often including a small inflated balloon.)

Vacuum Sealing Containers and Sealing Devices for home and consumer use to vacuum seal, store and preserve food and personal items.

Flexible Films for food and other commercial and packaging applications.

We leverage our technology to design and develop proprietary products which we market and sell and which we develop for our customers. We have been engaged in the business of developing flexible film products for 40 years and have acquired significant technology and know-how in that time. We currently hold several patents, and have patent applications pending, relating to flexible film products including specific films, zipper closures, valves and other features of these products.

We print, process and convert flexible film into finished products and we produce latex balloons and novelty items. 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.

Assembly and inflation of novelty products and balloons.

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 an extrusion coating and laminating machine and began

production of coated and laminated films, which we have produced since that time.

For more than 20 years, we have been engaged in the production of flexible containers for the storage of liquids, food products, household goods and other items, and in the coating, laminating and printing of flexible films for our novelty and container products and for the production of laminated and printed films we supply to others.

We market and sell our foil and latex balloons and related novelty items throughout the United States 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 a number of our balloon designs, we obtain licenses for well-known characters and print those characters and messages on our balloons.

We produce flexible containers 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 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.

Commencing in 2014, we began assembling and producing Candyloons and Candy Blossoms - containers including candy items and air-inflated balloons - which we market to food store chains. Since 2014, we have distributed home container and organizing products, some of which we produce, to and through a related entity which distributes those products through a network of independent distributors in the United States. In 2015, we commenced the distribution of party goods in Mexico.

In 2015, our revenues from our product lines, as a percent of total revenues were:

·Novelty Products	59% of revenues
·Vacuum Sealing Containers and Devices	22% of revenues
·Film Products	8% of revenues
·Other Products	11% of revenues

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

Business Strategies and Developments

Our business strategies, and recent developments related to our business, include:

Focus on our Core Assets and Expertise. We have been engaged in the development, production and sale of film and container products for 40 years and have developed assets, technology and expertise which, we believe, enable us to develop, manufacture, purchase, market and sell innovative products of high quality within our areas of knowledge and expertise. We plan to focus our efforts on these core assets and areas of expertise – film novelty products, consumer vacuum storage systems, specialty film products, container products, laminated films and printed films – to develop new products, to market and sell our products and to build our revenues.

Maintain a Focus on Margin Levels and Operating Costs in Order to Establish and Maintain Profitability. We consistently monitor, evaluate and manage our cost of goods sold, and our selling, general and administrative, expenses in order to establish and enhance profitability.

Develop New Products, Product Improvements and Technologies. We engage in research, design, innovation and development for the purpose of developing, and improving, products, materials, methods and technologies within our core product categories. We work to develop and identify new products, to improve existing products and to develop new technologies within our core product areas in order to enhance our competitive position and increase our sales. We seek to leverage our technology to develop innovative and proprietary products. In our novelty product lines, our development work includes new designs, new character licenses, new product developments, new materials and improved production methods. In our consumer storage product lines, we have developed new pouch closure systems and valves and new film methods for packaging applications. We have received seven patents for these developments and have patent applications pending. We developed and introduced a line of resealable pouches with a valve and pump system for household storage and vacuum sealing of food items. We introduced a line of vacuum sealing equipment for the vacuum sealing of pouches for food and household items and are engaged in development efforts to create new and enhanced vacuum sealing machines, accessories and related products. We work with customers to develop custom film products which serve the unique needs or requirements of the customer.

Develop New Channels of Distribution and New Sales Relationships. In order to increase sales, we seek to develop new channels of distribution and new sales relationships, both for existing and new products. Over the past several years, we have developed new distributors and customers for our pouch and novelty products, in the United States and in Europe, Mexico, Latin America and Australia, expanding the scope and level of our international sales and activities. We established an office and warehouse in Germany to support the extension of our sales and fulfillment activities in Europe. During 2011, we entered into a Trademark License Agreement with S.C. Johnson & Son under which SC Johnson licensed our company to use the Ziploc® Brand Vacuum Sealer System for home use with vacuum sealing machines to seal and store food and household items. This Agreement was renewed and extended for an additional three-year term in December 2014. We market and sell these machines and pouches throughout the United States, Canada and Mexico. During the past three years, we developed a relationship with a related company engaged in the sale of home containers and organization products and have become a supplier of products, some of which we produce, to that company. During 2015, we became a distributor in Mexico for a major party goods company.

Enhance Our Productive Capacity. We invest in new plant and equipment when appropriate to expand the range and volume of products we produce. During 2008 and 2009, we acquired, installed and commenced operation of equipment which enabled us to produce the pouches and rolls of film for our vacuum sealing storage business we developed. During 2010 and 2011, we designed, assembled and installed latex balloon production equipment which significantly enhanced our production capacity for latex balloons to support our growing sales of this product line. We significantly expanded our warehouse, packaging and fulfillment facilities and operations during 2013. During the first quarter of 2014, we acquired printing equipment which almost doubled printing capacity to support our growing sales of foil balloons. We have acquired and installed a new latex balloon production machine in Mexico which has become operational in March 2016; this machine will enhance our latex balloon production capacity by approximately 30%.

Products

Foil Balloons. We have designed, produced and sold foil balloons since 1979 and, we believe, are the second largest manufacturer of foil balloons in the United States. Currently, we produce about 900 foil balloon designs, in different shapes and sizes, including the following:

Superloons[®] - 17" and 18" foil balloons in round or heart shape, generally made to be filled with helium and remain buoyant for long periods. This is our predominant foil balloon size.

· Ultraloons[®] - 31" jumbo foil balloons made to be filled with helium and remain buoyant for an extended time.

· Miniloon[®]- 9" foil balloons made to be air-filled and sold on holder-sticks or for use in decorations.

Card-B-Loons[®]- 4 ½" air-filled foil balloons, often sold on a stick, used in floral arrangements or with a container of candy.

· Shape-A-Loons[®] - 18" to 48" shaped foil balloons made to be filled with helium.

Minishapes - 11" to 16" small shaped foil balloons designed to be air filled and sold on sticks as toys or inflated characters.

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 include figures and licensed characters many of which are well known. We maintain licenses for several well-known characters.

During 2014, we began assembling small containers of with candy items and air-filled balloons – Candy Blossoms and Candyloons – which we market and sell to chain stores.

Latex Balloons. Through our subsidiary in Guadalajara, Mexico, Flexo Universal, S. de R.L. de C.V. ("Flexo Universal"), we manufacture latex balloons in 17 sizes and 62 colors. Many of these balloons are marketed under the name Partyloons® and 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. This year, we are introducing a line of valved, resealable bags, including a line of vacuum sealing canisters to be sold under the brand Clever Fresh™ by Clever Container Company.

Packaging Films and Custom Film Products. We produce and sell films that are utilized for the packaging of various products, principally food products. We laminate, extrusion coat and print films and sell them to customers who utilize the films for packaging applications. Our customers generally use these film products to convert them to bags or pouches for the packaging of food and other products. We develop and produce for customers unique products composed of flexible film.

Other Products. We now distribute, and to some degree produce, home organization and container products for Clever Container Company, an entity consolidated with our company as a variable interest entity, which engages in the direct sale of such products through a network of independent distributors. Also, 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 significant means of distribution in a number of areas.

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. 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 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, party goods stores as well as florists and balloon decorators.

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.

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 for a term commencing on January 1, 2015 and extending to December 31, 2017. 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 is marketed under the brand name ZipVac®. We market this line of products principally to a direct sales company. We are introducing a line of resealable pouches and of vacuum sealable canisters under the brand Clever Fresh™ which we will provide to Clever Container Company for sale and distribution by them.

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.

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 space, (v) a 3,000 square foot facility in Heusenstamm, Germany, consisting of office and warehouse space and (vi) a 6,000 square foot facility in Heusenstamm, Germany consisting of office and warehouse space.

We conduct production operations at our plants in Lake Barrington, Illinois and Guadalajara, Mexico. At our plants, 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, and (v) production of latex balloon products. 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 warehouse raw materials at our plants in Lake Barrington, Illinois and Guadalajara, Mexico and we warehouse finished goods at our facilities in Lake Barrington, Illinois; Lake Zurich, Illinois; Guadalajara, Mexico; Rugby, England and Heusenstamm, Germany. 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.

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.

We conduct administrative and accounting functions at our headquarters in Lake Barrington, Illinois and at our facilities in Guadalajara, Mexico, Rugby, England and Heusenstamm, Germany.

Raw Materials

The principal raw materials we use in manufacturing our products are (i) petroleum or natural gas-based films, (ii) petroleum or natural gas-based resin, (iii) latex, and (iv) printing inks. The cost of raw materials represents a significant portion of the total cost of our products, with the result that fluctuations in the cost of raw materials have a material effect on our profitability. The cost of our raw materials represented approximately 41.5% of our net revenues in 2015 compared to 41.7% in 2014. During the past several years, we have experienced significant fluctuations in the cost of these raw materials. We do not have any long-term agreements for the supply of raw materials and may experience wide fluctuations in the cost of raw materials in the future. Further, although we have been able to obtain adequate supplies of raw materials in the past, there can be no assurance that we will be able to obtain adequate supplies of one or more of our raw materials in the future.

A principal raw material for our latex balloon is natural latex. Over the past five years, the price of natural latex has been highly volatile, ranging from a low of approximately \$2.15 per kilo to a high of \$5.75 per kilo. During a portion of that time, when the price of latex rose rapidly, we were unable to increase the selling price of our latex balloons sufficiently to compensate for the increase in the cost of latex with the result that our margins on the sale of latex balloons declined significantly for a period of time. Over the past 3 years, the market price of natural latex has declined and our margins on the sale of latex balloon products have improved. However, the price of natural latex remains volatile and changes in the cost of latex may have a material effect on our gross margins for latex balloon products in the future.

Many of the foil balloons we produce and sell are intended to be filled with helium in order to be buoyant. Over the past several years, the price of helium has increased substantially and the availability of helium has, on occasion, been limited. Limited availability and the increase in the cost of helium may adversely affect our sales of foil balloons in the future.

Information Technology Systems

Our corporate headquarters in Lake Barrington, Illinois and our warehouse / customer service facility in Lake Zurich, Illinois are serviced by PC-based local area networks. We interconnect the facilities via redundant voice and data services. Access to the network is available to all appropriate employees and is secured through nine Microsoft servers running Active Directory authentication. The network allows us to leverage printing resources, create shared file areas for cross-departmental functions and allows for a single source backup of critical business files. On the network we run Macola financial system software. Macola is a modular software system. We presently use the general ledger, order entry, inventory management, purchase order, manufacturing costing, controls and inventory controls, electronic data exchange and custom report writing modules of that system. Internal and external employee communications are handled by industry standard Microsoft Exchange email, allowing us to communicate with customers and vendors all over the world. We also provide secure, firewall protected, load balanced and redundant internet connections allowing employees to use e-mail, research issues, support customers and securely move data. Secure VPN connectivity is provided to our mobile and remote employees. A phone system located in Lake Barrington, and a phone system located in Lake Zurich, operate together to provide unified voice communications between both sites as well as for outside calls. These two phone systems are capable of operating independently should there be a failure at either site.

At each of our Mexico, England and Germany facilities, we operate server computers and local area networks, accessible to employees at those facilities. At each of those facilities, we operate separate integrated financial, order entry and inventory management systems.

Competition

The balloon and novelty industry is highly competitive, with numerous competitors. We believe there are presently five principal manufacturers of foil balloons whose products are sold in the United States including Anagram International, Inc., Pioneer Balloon Company, Convertidora International S.A. de C.V., and Betallic, LLC. Several companies market and sell foil balloons designed by them and manufactured by others for them.

We believe there are approximately five manufacturers of latex balloons whose products are sold in the United States (including Pioneer Balloon and Globos Occidental) and numerous others whose products are sold in other countries.

We also compete with other manufacturers of foil and latex balloons in Europe, Latin America and Asia.

Our company competes principally in the United States and Canada for the sale of vacuum sealing products. There are a number of companies who compete in those markets, principally Jarden Corporation, which was recently acquired by Newell Rubbermaid, Inc.

The market for films, packaging, flexible containers and custom products is fragmented, and competition in this area is difficult to gauge. However, there are numerous participants in this market and the Company can expect to experience intense quality and price competition.

Many of the companies in these markets offer products and services that are the same or similar to those offered by us and our ability to compete depends on many factors within and outside our control. There are a number of well-established competitors in each of our product lines, several of which possess substantially greater financial, marketing and technical resources and have established extensive, direct and indirect channels of distribution for their products and services. As a result, such competitors may be able to respond more quickly to new developments and changes in customer requirements, or devote greater resources to the development, promotion and sale of their products and services than we can. Competitive pressures include, among other things, price competition, new designs and product development and copyright licensing.

Patents, Trademarks and Copyrights

We have developed or acquired a number of intellectual property rights which we believe are significant to our business.

Copyright Licenses. We maintain licenses on certain popular characters and designs for our balloon products. We presently maintain a number of licenses and produce balloon designs utilizing the characters or designs covered by the licenses. Licenses are generally maintained for a one or two-year term.

Trademarks. We own ten registered trademarks in the United States relating to our balloon products. Many of these trademarks are registered in foreign countries, principally in the European Union.

Patent Rights. We own, or have license rights under, or have applied for, patents related to our balloon products, certain film products and certain flexible container products. These include (i) ownership of two patents, relating to self-sealing valves for foil balloons and methods of making balloons with such valves, (ii) several foil balloon design patents, (iii) patents and applications related to the design and structure of, and method of, inserting and affixing, zipper-closure systems in a bag, (iv) patents related to one-way valves for pouches, (v) a patent related to methods of embossing film and utilizing such film to produce pouches with fitments, (vi) a patent related to vacuumable storage bags with fitments, and (vii) a patent application related to vacuum sealing equipment.

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, 2015 and 2014, we estimate that the total amount spent on research and development activities was approximately \$633,000 and \$633,000, respectively.

Employees

As of December 31, 2015, the Company had 106 full-time employees in the United States, of whom 19 are executive or supervisory, 4 are in sales, 62 are in manufacturing or warehouse functions and 21 are clerical. As of that same date, we had 18 full-time employees in England, of whom 4 are executive or supervisory, 4 are in sales, 9 in warehousing and one clerical. At Flexo Universal, our Mexico subsidiary, as of December 31, 2015, we had 326 full-time employees, of whom 6 are executive or supervisory, 4 are in sales, 307 are in manufacturing and 9 are clerical. As of December 31, 2015, the Company had 6 full-time employees in Germany, of whom one is executive or supervisory, 2 are in warehousing and 3 are clerical. The Company is not a party to any collective bargaining agreement in the United States, has not experienced any work stoppages, and believes that its relationship with its employees is satisfactory.

Regulatory Matters

Our manufacturing operations in the United States are subject to the U.S. Occupational Safety and Health Act ("OSHA"). We believe we are in material compliance with OSHA. The Company generates liquid, gaseous and solid waste materials in its operations in Lake Barrington, Illinois and the generation, emission or disposal of such waste materials are, or may be, subject to various federal, state and local laws and regulations regarding the generation, emission or disposal of waste materials. We believe we are in material compliance with applicable environmental rules and regulations. Several states have enacted laws limiting or restricting the release of helium filled foil balloons. We do not believe such legislation will have any material effect on our operations.

In August 2012, the U.S. Securities and Exchange Commission (SEC) issued a rule under Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act requiring companies to publicly disclose their use of conflict minerals that originated in the Democratic Republic of the Congo (DRC) or an adjoining country. Under the rule, issuers are required to conduct a reasonable country of origin inquiry and, if necessary, exercise due diligence process to ascertain the source of conflict minerals, defined as tantalum, tin, gold or tungsten, that are necessary to the functionality or production of their manufactured or contracted to be manufactured products. Companies are required to provide this disclosure on a new form to be filed with the SEC called Form SD. Companies were required to file Form SD on May 31, 2014 for the 2013 calendar period and annually on May 31 every year thereafter. The Company filed Form SD on May 29, 2015.

International Operations

We conduct operations in three locations outside of the United States:

Flexo Universal, a 99%-owned subsidiary in Guadalajara, Mexico. Flexo Universal maintains a plant, offices and warehouse in Guadalajara, Mexico where we produce latex and foil balloons and print latex balloons. Flexo Universal conducts sales, warehousing and fulfillment operations, servicing principally the Company and other customers in the United States, our subsidiaries in the United Kingdom and Europe, customers in Mexico and Latin America and certain customers in Europe.

CTI Balloons, a wholly-owned subsidiary located in Rugby, England. CTI Balloons maintains offices and a warehouse in Rugby, conducts certain packaging and inflation activities there and conducts sales, warehousing and fulfillment activities for customers principally in the United Kingdom.

CTI Europe, a majority-owned subsidiary located in Heusenstamm, Germany. CTI Europe maintains offices and a warehouse in Heusenstamm, Germany (near Frankfurt), conducts certain packaging and inflation activities there and conducts sales, warehousing and fulfillment activities for customers principally in Europe.

We rely, and are dependent, on our operations in Mexico for the supply of latex balloons in the United States, Mexico, Europe and other markets. Interruption of that supply would have a materially adverse effect on the business of the Company.

Our domestic and international sales to outside customers and assets by area over the period 2014-2015 have been as follows:

	United States	United Kingdom (UK)	Europe (Excluding UK)	Mexico	Consolidated
Year ended 12/31/15					
Sales to outside customers	\$ 46,520,000	\$ 2,207,000	\$ 1,530,000	\$ 9,108,000	\$ 59,365,000
Total Assets	\$ 30,772,000	\$ 1,791,000	\$ 1,562,000	\$ 7,680,000	\$ 41,805,000

	United States	United Kingdom (UK)	Europe (Excluding UK)	Mexico	Consolidated
Year ended 12/31/14					
Sales to outside customers	\$ 42,896,000	\$ 2,497,000	\$ 1,592,000	\$ 10,843,000	\$ 57,828,000
Total Assets	\$ 33,026,000	\$ 1,048,000	\$ 1,457,000	\$ 7,516,000	\$ 43,047,000

Available Information

We maintain our corporate website at www.ctiindustries.com and we make available, free of charge, through this website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports that we file with, or furnish to, the Securities and Exchange Commission (“SEC”), as soon as reasonably practicable after we electronically file that material with, or furnish it to, the SEC. You may also read and copy material filed by us with the SEC at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549, and you may obtain information on the operation of the Public Reference Room by calling the SEC in the

U.S. at 1-800-SEC-0330. In addition, the SEC maintains an Internet website, www.sec.gov, that contains reports, proxy and information statements and other information that we file electronically with the SEC. Our website also includes corporate governance information, including our Code of Ethics and our Board Committee Charters. The information contained on our website does not constitute a part of this report.

Item No. 1B – Unresolved Staff Comments

As of the filing of this Annual report on Form 10-K, we had no unresolved comments from the staff of the Securities and Exchange Commission that were received not less than 180 days before the end of our 2015 fiscal year.

Item No. 2 – Properties

We own our principal plant and offices located in Lake Barrington, Illinois, approximately 45 miles northwest of Chicago, Illinois. The facility includes approximately 68,000 square feet of office, manufacturing and warehouse space. This facility is subject to a mortgage loan with an initial principal of \$2,300,000 as of April 29, 2010, having a term of approximately 7 years, with payments amortized over 25 years. The balance due on this loan on July 18, 2017 will be \$1,664,000.

In September 2012, we entered into a lease agreement, expiring on February 28, 2017 to rent approximately 117,000 square feet of warehouse and office space in Lake Zurich, Illinois at a cost per month as follows:

Lease period	Amount per month
March 1, 2013 – October 31, 2013	\$ 25,000
November 1, 2013 – October 31, 2014	28,000
November 1, 2014 – October 31, 2015	30,000
November 1, 2015 – October 31, 2016	33,000
November 1, 2016 – February 28, 2017	36,000

In August 2015, CTI Balloons, entered into a 5-year lease agreement for approximately 9,000 square feet of office and warehouse space in Rugby, England at a cost of \$6,000 per month. This facility is utilized to warehouse balloon products and to manage and service the Company's operations in England.

In August 2011, Flexo Universal entered into a 5-year lease agreement, expiring July 31, 2016, for the lease of approximately 73,000 square feet of manufacturing, warehouse and office space in Guadalajara, Mexico at a cost of \$30,000 per month.

In September 2012, CTI Europe entered into a 3-year lease agreement for a facility located in Heusenstamm, Germany located approximately 15 miles from Frankfurt International Airport. The facility includes approximately 3,000 square feet of office and warehouse space at a cost of \$2,000 per month. The lease automatically renews each September for an additional year. Additionally, in February 2015, CTI Europe entered into a 5-year lease agreement for a facility of approximately 6,000 square feet of office and warehouse space located in Heusenstamm, Germany at a cost of \$5,000 per month.

We believe that our properties have been adequately maintained, are in generally good condition and are suitable for our business as presently conducted. We believe our existing facilities provide sufficient production capacity for our present needs and for our presently anticipated needs in the foreseeable future. We also believe that, with respect to leased properties, upon the expiration of our current leases, we will be able to either secure renewal terms or to enter into leases for alternative locations at market terms.

Item No. 3 – Legal Proceedings

The Company may be party to certain lawsuits or claims arising in the normal course of business. The ultimate outcome of these matters is unknown but, in the opinion of management, we do not believe any of these proceedings will have, individually or in the aggregate, a material adverse effect upon our financial condition, cash flows or future results of operation.

PART II

Item No. 5 – Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

The Company's Common Stock was admitted to trading on the NASDAQ SmallCap Market (now the NASDAQ Capital Market) under the symbol CTIB on November 5, 1997.

The high and low sales prices for the last eight fiscal quarters according to the NASDAQ Stock Market's Stock Price History Report, were:

	High	Low
January 1, 2014 to March 31, 2014	5.99	5.35
April 1, 2014 to June 30, 2014	5.71	4.57
July 1, 2014 to September 30, 2014	4.70	3.70
October 1, 2014 to December 31, 2014	4.30	3.52

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January 1, 2015 to March 31, 2015	4.27	3.64
April 1, 2015 to June 30, 2015	4.29	3.50
July 1, 2015 to September 30, 2015	3.92	3.15
October 1, 2015 to December 31, 2015	5.12	3.56

As of December 31, 2015 there were approximately 33 holders of record of the Company's Common Stock. The Company's total number of beneficial owners of common stock of the Company is approximately 510.

The Company did not pay any cash dividends on its Common Stock during 2015 or 2014. Under the terms of the Company's current loan agreements, the amount of dividends the Company may pay is limited by the terms of the financial covenants.

Item No. 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations**Overview**

The Company produces film products for novelty, packaging container and custom film product applications. These products include foil balloons, latex balloons and related latex toy products, films for packaging applications, flexible containers for packaging and storage applications and custom film products. We produce all of our film products for packaging and container applications at our facilities in Lake 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 foil balloons and latex balloons – in the United States, Mexico, the United Kingdom and a number of additional countries.

Our revenues from each of our product categories in each of the past two years have been as follows:

Product Category	(000 Omitted)					
	\$	% of		\$	% of	
	2015	Net Sales	%	2014	Net Sales	%
Foil Balloons	25,187	43	%	24,932	43.1	%
Latex Balloons	9,739	16	%	11,576	20.0	%
Vacuum Sealing Products	13,206	22	%	13,106	22.7	%
Film Products	4,523	8	%	4,806	8.3	%
Other	6,710	11	%	3,408	5.9	%
Total	59,365	100.0	%	57,828	100.0	%

Our primary expenses include the cost of products sold and selling, general and administrative expenses.

Cost of products sold primarily consists of expenses related to raw materials, labor, quality control and overhead expenses such as supervisory labor, depreciation, utilities expense and facilities expense directly associated with production of our products, warehousing and fulfillment expenses and shipping costs relating to the shipment of

products to customers. Cost of products sold is impacted by the cost of the raw materials used in our products, the cost of shipping, along with our efficiency in managing the production of our products.

Selling, general and administrative expenses include the compensation and benefits paid to our employees, all other selling expenses, marketing, promotional expenses, travel and other corporate administrative expenses. These other corporate administrative expenses include professional fees, depreciation of equipment and facilities utilized in administration, occupancy costs, communication costs and other similar operating expenses. Selling, general and administrative expenses can be affected by a number of factors, including staffing levels and the cost of providing competitive salaries and benefits, the cost of regulatory compliance and other administrative costs.

Purchases by a limited number of customers represent a significant portion of our total revenues. In 2015, sales to our top 10 customers represented 65.6% of net revenues. During 2015, there were two customers to whom our sales represented more than 10% of net revenues.

Our principal customer sales for 2015 and 2014 were:

Customer	Product	2015 Sales	% of 2015 Revenues		2014 Sales	% of 2014 Revenues	
Dollar Tree Stores	Balloons	\$15,973,000	26.9	%	\$15,131,000	26.2	%
Wal-Mart	Vacuum Sealing Products; Balloons	\$9,158,000	15.4	%	\$7,947,000	13.7	%

The loss of one or both of these principal customers, or a significant reduction in purchases by one or both of them, could have a material adverse effect on our business.

We generally do not have agreements with our customers under which customers are obligated to purchase any specific or minimum amount of product from us.

Results of Operations

The following table sets forth selected results of our operations expressed as a percentage of net sales for the years ended December 31, 2015 and 2014. Our results of operations for the periods described below are not necessarily indicative of results of operations for future periods.

	Year ended December 31,			
	2015		2014	
Net sales	100.0	%	100.0	%
Costs and expenses:				
Cost of products sold	72.5		75.4	
Operating Expenses	22.8		21.8	
Income from operations	4.7		2.8	
Interest expense	(2.5)	(1.9)
Other income	0.0		0.0	
Income before income taxes	2.2		0.9	
Provision for income taxes	0.6		0.3	
Net profit	1.8	%	0.9	%

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Net Sales

For the fiscal year ended December 31, 2015, consolidated net sales from the sale of all products were \$59,365,000 compared to consolidated net sales of \$57,828,000 for the year ended December 31, 2014, an increase of 2.7%.

Sales of foil balloons were \$24,932,000 in 2014 and \$25,187,000 in 2015, an increase of 1%. Our largest customer for foil balloons was Dollar Tree Stores. The remaining sales were made to nearly 900 customers including distributors and retail stores or chains in the United States, Mexico, the United Kingdom, Europe and Latin America. Sales to these other customers decreased by 4.7% from \$10,184,000 in 2014 to \$9,704,000 in 2015. We experienced some decline in the Dollar volume of sales of foil balloons in Europe and Mexico as the result of the decline in the value of the Mexican Peso and the Euro.

Sales of latex balloons were \$11,576,000 in 2014 and \$9,739,000 in 2015, a decrease of 15.9%. The decline is attributable to: (i) a single large sale in the first quarter of 2014 in excess of \$465,000, not repeated in 2015, (ii) a decline in sales of \$300,000 to a customer of Flexo Universal, our Mexico subsidiary, and (iii) the lower Dollar value of Peso denominated sales by Flexo Universal for 2015 compared to 2014 due to the decline in value of the Peso. We estimate that the Dollar value of revenues from the sale of latex balloons was impacted to the level of approximately \$2.1 million by reason of the decline in the value of the Peso in 2015.

Sales of vacuum sealing products including pouch and related products and vacuum sealing machines were \$13,106,000 in 2014 and \$13,206,000 in 2015, an increase of 0.8%. Sales in this line during 2014 and 2015 consisted of two categories: (i) vacuum sealing systems including open-top pouches or rolls and vacuum sealing machines and (ii) zippered, resealable vacuum pouches. For 2015 and 2014, sales of products in these categories have been as follows:

	(000 Omitted)	
	2015	2014
Vacuum Sealing Systems	\$ 10,625	\$ 10,325
Zippered Pouches	2,581	2,781
Total	\$ 13,206	\$ 13,106

Sales of film products were \$4,806,000 in 2014 and \$4,523,000 in 2015, a decrease of 5.9%. Approximately 99% of these sales were to Rapak, L.L.C. but includes sales to two other customers.

Sales of other products increased from \$3,408,000 in 2014 to \$6,710,000 in 2015. This category includes (i) sales of helium and accessory items for our balloon products, (ii) sales of Candy Blossoms and Candyloons and (iii) sales by Clever Container Company, L.L.C. which engages in the direct sale of container and organizing products through a network of independent distributors.

Cost of Sales

Cost of sales decreased from 75.4% of sales in 2014 to 72.5% of sales in 2015. The decline in the cost of sales as a percentage of revenues resulted from (i) an increase in the volume of certain higher margin sales including sales by Clever Container Company and (ii) production efficiencies resulting from a reduction in factory overhead expenses.

General and Administrative Expenses

General and administrative expenses decreased from \$7,231,000 or 12.5% of net sales in 2014 to \$7,134,000 or 12% of net sales in 2015. The decrease in general and administrative expenses is attributable to a decrease in consulting expenses of \$96,000.

Selling

Selling expenses increased from \$3,042,000 or 5.3% of sales in 2014 to \$3,511,000 or 5.9% of sales in 2015. The increase in selling expenses is attributable to increased commissions, bonus and incentive payments by Clever Container Company to independent distributors. These payments are a function of increased sales volume.

Advertising and Marketing

Advertising and marketing expenses increased from \$2,322,000 or 4.0% of sales in 2014 to \$2,890,000 or 4.9% of sales in 2015. The increase in advertising and marketing expense is attributable to (i) an increase in salaries of \$303,000, (ii) an increase in consulting services of \$124,000, (iii) media advertising in the amount of \$80,000 and (iv) an increase in expenses toward new designs in the amount of \$55,000.

Other Income or Expense

During 2015, we incurred net interest expense of \$1,542,000 compared to net interest expense of \$1,109,000 during 2014.

During 2015, we realized a foreign currency gain in the amount of \$32,000 compared to foreign currency gain in 2014 of \$39,000.

Net Income or Loss

During 2015, the Company had income from operations of \$2,816,000 compared to income from operations of \$1,609,000 in 2014. During 2015, we had net income after provisions for interest and taxes of \$1,047,000 on a consolidated basis compared to net income after provisions for interest and taxes of \$514,000 in 2014. We estimate that net income in 2015 was adversely affected due to the decline in the value of the Peso by approximately \$190,000.

Income Taxes

In 2015, the Company recognized income tax expense, on a consolidated basis, of \$370,000. This income tax expense is composed of an income tax benefit in the United States of \$52,000, an income tax expense realized by CTI Balloons, our United Kingdom subsidiary, in the amount of \$36,000, an income tax expense realized by CTI Europe, our Germany subsidiary, in the amount of \$6,000 and an income tax expense by Flexo Universal, our Mexico subsidiary, in the amount of \$380,000. In 2014, the Company recognized income tax expense, on a consolidated basis, of \$190,000. This income tax expense is composed of an income tax benefit in the United States of \$526,000, an income tax benefit realized by CTI Balloons, our United Kingdom subsidiary, in the amount of \$11,000, an income

tax expense realized by CTI Europe, our Germany subsidiary, in the amount of \$7,000 and an income tax expense of our Mexico subsidiaries, in the amount of \$720,000.

Financial Condition, Liquidity and Capital Resources

Cash Provided by Operating Activities During fiscal 2015, cash provided by operating activities amounted to \$2,596,000, compared to cash used in operating activities during fiscal 2014 of \$3,355,000. Cash provided by operating activities increased significantly in 2015 due to moderating the increase in inventory and receivables during the year. Significant changes in working capital items affecting cash flow provided by operating activities were:

- Depreciation and amortization of \$1,926,000 compared to depreciation and amortization for 2014 of \$2,075,000.
 - An increase in inventory of \$973,000 compared to an increase of inventory of \$2,768,000 in 2014.
- An increase in accounts receivable of \$690,000 compared to an increase in accounts receivable of \$2,885,000 in 2014.
- A decrease in prepaid expenses and other assets of \$350,000 compared to an increase in prepaid expenses and other assets of \$279,000 in 2014.
 - An increase in trade payables of \$79,000 compared to an increase in trade payables of \$997,000 in 2014.

During 2016, we expect to experience a significant increase in inventory and receivables during the third and fourth quarters due to an anticipated increase in the sale of vacuum sealing products in the fourth quarter of 2016.

Cash Used in Investing Activities During fiscal 2015, cash used in investing activities amounted to \$682,000 compared to cash used in investing activities during fiscal 2014 of \$1,174,000.

Cash Used in Financing Activities During fiscal 2015, cash used in financing activities amounted to \$1,694,000, compared to cash provided by financing activities of \$3,975,000 during fiscal 2014.

On April 29, 2010, the Company entered into a Credit Agreement and associated documents with Harris N.A., now BMO Harris Bank, N.A. (“BMO Harris”) under which BMO Harris agreed to extend to the Company a credit facility in the aggregate amount of \$14,417,000. The facility included (i) a Revolving Credit providing for maximum advances to the Company, and letters of credit, based upon the level of availability measured by levels of eligible receivables and inventory of the Company of \$9,000,000, (ii) an Equipment Loan of up to \$2,500,000 providing for loans for the purchase of equipment, (iii) a Mortgage Loan of \$2,333,350, and (iv) a Term Loan in the amount of \$583,333. The amount the Company can borrow on the Revolving Credit includes 85% of eligible accounts and 60% of eligible inventory. The Mortgage Loan is amortized over a term of 25 years. The maturity date of the facility was April 30, 2013, which was subsequently extended to July 17, 2017.

Certain terms of the credit agreement, as amended, include:

Restrictive Covenants: The Credit Agreement includes several restrictive covenants under which we are prohibited from, or restricted in our ability to:

- o Borrow money;
- o Pay dividends and make distributions;
- o Make certain investments;
- o Use assets as security in other transactions;
- o Create liens;
- o Enter into affiliate transactions;
- o Merge or consolidate; or

o Transfer and sell assets.

Financial Covenants: The Credit Agreement includes a series of financial covenants we are required to meet including:

o We are required to maintain a tangible net worth (plus Subordinated Debt) in excess of \$7,100,000 plus 50% of cumulative net income of the Company after January 1, 2010;

o We are required to maintain specified ratios of senior debt to EBITDA on an annual basis and determined quarterly; and,

o We are required to maintain a level of adjusted EBITDA to fixed charges on an annual basis determined quarterly of not less than 1.1 to 1. Adjusted EBITDA is EBITDA minus (i) taxes paid, (ii) dividends paid, (iii) payments for the purchase or redemption of stock, and (iv) unfunded capital expenditures.

The credit agreement provides for interest at varying rates in excess of the prime rate, depending on the level of senior debt to EBITDA over time. The initial interest rate under the agreement was 4.00% per annum. On a quarterly basis, this ratio will be measured and the interest rate changed in accordance to the table below.

When Senior Debt to EBITDA is:	The Premium to the Prime Rate is:	
Greater than or equal to 3.25 to 1.00	1.25	%
Greater than or equal to 2.25 to 1.00; Less than 3.25 to 1.00	0.75	%
Less than or equal to 2.25 to 1.00	0.50	%

At December 31, 2015 the Company was paying a premium of 0.50% over prime.

On July 17, 2012, the Company entered into Amendment Number 3 to the Credit Agreement among the Company and BMO Harris pursuant to which (i) the amount of the loan commitment on the revolver loan of BMO Harris was increased from \$9 million to \$12 million, (ii) BMO Harris consented to a transaction among the Company and BMO Equity and (iii) the term of credit and loans to the Company provided in the Credit Agreement and BMO Harris was extended to July 17, 2017.

Also, on July 17, 2012, the Company entered into a Note and Warrant Purchase Agreement with BMO Private Equity (U.S.) (“BMO Equity”) pursuant to which (i) BMO Equity advanced to the Company the sum of \$5 million and (ii) the Company issued to BMO Equity a warrant to purchase up to Four Percent (4%) of the outstanding shares of common stock of the Company on a fully-diluted basis (140,048 shares of common stock of the Company) at the price of One Cent (\$0.01) per share. The term of the loan provided for in this Agreement is five and a half years. Interest is payable on the outstanding balance of the loan at the rate of 11.5% per annum.

The Note and Warrant Purchase Agreement includes provisions for:

(i) a closing fee of \$100,000

(ii) payment of the principal amount in five and a half years with optional prepayment subject to certain prepayment premiums;

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(iii) security for the note obligations in all assets of the Company junior to the security interest of BMO Harris;

(iv) various representations and warranties and covenants of the Company;

(v) financial covenants including an applicable senior leverage ratio, fixed charge coverage ratio and tangible net worth amount.

On April 12, 2013, the Company entered into Amendment No. 4 to the Credit Agreement among the Company and BMO Harris, and Amendment No. 1 to the Note and Warrant Purchase Agreement among the Company and BMO Equity. In the Amendments, non-compliance with financial covenants prior to the date of the Amendments was waived and both the Credit Agreement and the Note and Warrant Purchase Agreement were amended (i) to modify the Senior Leverage Ratio and Total Leverage Ratio requirements for the fiscal quarter ending June 30, 2013 and each quarter thereafter during the term of the Credit Agreement and the Note and Warrant Purchase Agreement and (ii) to modify the definitions of EBITDA and Total Funded Debt in the Credit Agreement and the Note and Warrant Purchase Agreement.

On December 23, 2014, the Company entered into Amendment No. 5 to the Credit Agreement among the Company and BMO Harris, and Amendment No. 2 to the Note and Warrant Purchase Agreement among the Company and BMO Equity. In the Amendments, BMO Harris and BMO Equity waived certain anticipated events of default as of December 31, 2014 by the Company with respect to the amount of capital expenditures and the change of name of a subsidiary, and both the Credit Agreement and the Note and Warrant Purchase Agreement were amended (i) to exclude from the definition of Senior Funded Debt and Total Funded Debt certain indebtedness of a variable interest entity, (ii) to require Registrant to provide financial reports and variance reports to the Bank within 45 days after the end of each calendar month, (iii) to change the Senior Leverage Ratio and Total Leverage Ratio requirements for fiscal quarters ending December 31, 2014 and for each fiscal quarter thereafter to the maturity of the loans, and (iv) to provide for the engagement by the Company of a financial consultant to provide business financial planning and advisory services to the Company.

On October 13, 2015, the Company entered into Amendment No. 6 to the Credit Agreement among the Company and BMO Harris. Pursuant to the terms of the Amendment, the company is able to obtain advances under the revolving line of credit with BMO Harris in the amount provided for in the borrowing base formula plus an overadvance amount of up to \$1 million, up to a total maximum amount under the revolving line of credit of \$12 million. The provision for the overadvance amount is available to the company for the period from October 1, 2015 to April 30, 2016.

As of December 31, 2015, the Company was in compliance with the financial covenants provided in the Credit Agreement and in the Note and Warrant Purchase Agreement, as amended.

Current Assets. As of December 31, 2015, the total current assets of the Company were \$32,437,000, compared to total current assets of \$32,474,000 at December 31, 2014.

Current Liabilities. Total current liabilities decreased from \$20,929,000 as of December 31, 2014 to \$20,201,000 as of December 31, 2015.

Liquidity and Capital Resources; Working Capital. As of December 31, 2015, our current assets exceeded our current liabilities by \$12,236,000, we had cash and cash equivalents of \$346,000 and there was available under our line of credit \$1,456,000 in additional funds. Management believes that these available funds, our internally generated funds and the borrowing capacity under our revolving line of credit facility will be sufficient to meet working capital requirements for the remainder of 2016. However, the company has recently received information indicating that we may have a significant sale of vacuum sealing products in the fourth quarter of 2016 and management is presently reviewing potential financing requirements for this transaction.

CTI Industries Corporation Stockholders' Equity. Stockholders' equity was \$12,787,000 as of December 31, 2015 compared to \$12,880,000 as of December 31, 2014.

Seasonality

In the foil balloon product line, sales have historically been seasonal with approximately 40% occurring in the period from December through March of the succeeding year and 24% being generated in the period July through October in recent years. Vacuum sealing product sales are also seasonal; approximately 60% of sales in this product line occur in the period from July through December.

Critical Accounting Policies

The financial statements of the Company are based on the selection and application of significant accounting policies which require management to make various estimates and assumptions. The following are some of the more critical judgment areas in the application of our accounting policies that currently affect our financial condition and results of operation.

Revenue Recognition. Substantially all of the Company's revenues are derived from the sale of products. With respect to the sale of products, revenue from a transaction is recognized when (i) a definitive arrangement exists for the sale of the product, (ii) delivery of the product has occurred, (iii) the price to the buyer has been fixed or is determinable, and (iv) collectibility is reasonably assured. The Company generally recognizes revenue for the sale of products when the products have been shipped and invoiced. In some cases, product is provided on consignment to customers. In those

cases, revenue is recognized when the customer reports a sale of the product.

Allowance for Doubtful Accounts. We estimate our allowance for doubtful accounts based on an analysis of specific accounts, an analysis of historical trends, payment and write-off histories. Our credit risks are continually reviewed and management believes that adequate provisions have been made for doubtful accounts. However, unexpected changes in the financial condition of customers or changes in the state of the economy could result in write-offs which exceed estimates and negatively impact our financial results.

Inventory Valuation. Inventories are stated at the lower of cost or market. Cost is determined using standard costs which approximate costing determined on a first-in, first out basis. Standard costs are reviewed and adjusted at the time of introduction of a new product or design, periodically and at year-end based on actual direct and indirect production costs. On a periodic basis, the Company reviews its inventory levels for estimated obsolescence or unmarketable items, in reference to future demand requirements and shelf life of the products. As of December 31, 2015, the Company had established a reserve for obsolescence, marketability or excess quantities with respect to inventory in the aggregate amount of \$823,000. As of December 31, 2014, the amount of the reserve was \$645,000. In addition, on a periodic basis, the Company disposes of inventory deemed to be obsolete or unsaleable and, at such time, records an expense for the value of such inventory. We record freight income as a component of net sales and record freight costs as a component of cost of goods sold.

Valuation of Long-Lived Assets. We evaluate whether events or circumstances have occurred which indicate that the carrying amounts of long-lived assets (principally property and equipment and goodwill) may be impaired or not recoverable. Significant factors which may trigger an impairment review include: changes in business strategy, market conditions, the manner of use of an asset, underperformance relative to historical or expected future operating results, and negative industry or economic trends. We apply the provisions of GAAP USA under which goodwill is evaluated at least annually for impairment. We performed a quantitative assessment for the year ended December 31, 2015 in which we considered the assets and liabilities of the subsidiary, both recognized and unrecognized, as well as the cash flows necessary to operate the business relating to the assets and liabilities. We conducted a qualitative assessment of our goodwill in our consolidated balance sheet for the year ended December 31, 2014. From this qualitative assessment and from the quantitative assessment for December 31, 2015, we determined the fair value of the subsidiary exceeds the carrying amount initially recorded on December 31, 2006, and was therefore not impaired.

Foreign Currency Translation. All balance sheet accounts are translated using the exchange rates in effect at the balance sheet date. Statements of operations amounts are translated using the average exchange rates for the year-to-date periods. The gains and losses resulting from the changes in exchange rates during the period have been reported in other comprehensive income or loss, except that, on November 30, 2012, the Company determined that it does have an expectation of receiving payment with respect to indebtedness of Flexo Universal to the Company, and accordingly, as of and after that date foreign currency gains and losses with respect to such indebtedness will be reported in the statement of operations.

Stock-Based Compensation. We follow GAAP USA which requires all stock-based payments to employees, including grants of employee stock options, to be recognized in the consolidated financial statements based on their grant-date fair values.

We use the Black-Scholes option pricing model to determine the fair value of stock options which requires us to estimate certain key assumptions. In accordance with the application of GAAP USA, we incurred employee stock-based compensation cost of \$29,000 for the year ended December 31, 2015. At December 31, 2015, we had \$60,000 of unrecognized compensation cost relating to stock options.

On July 17, 2012, the Company issued detachable warrants in connection with the Note and Warrant Purchase Agreement with BMO Equity. The fair value of the detachable warrants was estimated on the date of the grant using the Black-Scholes option-pricing model. Changes in the fair value of the warrants have been recognized in the consolidated statement of operations.

Income Taxes and Deferred Tax Assets. Income taxes are accounted for as prescribed in GAAP USA. Under the asset and liability method of GAAP USA, the Company recognizes the amount of income taxes currently payable. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years these temporary differences are expected to be recovered or settled.

We evaluate all available positive and negative evidence in each tax jurisdiction regarding the recoverability of any asset recorded in our Consolidated Balance Sheets and provide valuation allowances to reduce our deferred tax assets to an amount we believe is more likely than not to be realized. We regularly review our deferred tax assets for recoverability considering historical profitability, our ability to project future taxable income, the expected timing of the reversals of existing temporary differences and tax planning strategies. If we continue to operate at a loss in certain jurisdictions or are unable to generate sufficient future taxable income within the defined lives of such assets, we could be required to increase our valuation allowance against all or a significant portion of our deferred tax assets. This increase in valuation allowance could result in substantial increases in our effective tax rate and could have a material adverse impact on our operating results. Conversely, if and when our operations in some jurisdictions become sufficiently profitable before what we have estimated in our current forecasts, we would be required to reduce all or a portion of our current valuation allowance and such reversal would result in an increase in our earnings in such period.

As of December 31, 2015, the Company had net deferred tax assets of \$1,747,000 representing the amount the Company may recover in future years from future taxable income. As of December 31, 2014, the amount of the net deferred tax asset was \$1,732,000. Each quarter and year-end, management makes a judgment to determine the extent to which the deferred tax asset will be recovered from future taxable income.

Fair Value Measurements. In September 2006, the FASB issued GAAP USA which defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value and enhances disclosure requirements for fair value measurements. GAAP USA clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. GAAP USA also requires that a fair value measurement reflect the assumptions market participants would use in pricing an asset or liability based upon the best information available. In February 2008, the FASB issued guidance now codified in GAAP USA which provides for delayed application of certain guidance related to non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually).

In February 2007, the FASB issued GAAP USA which permits companies to choose to measure certain financial instruments and other items at fair value. The standard requires that unrealized gains and losses are reported in earnings for items measured using the fair value option. GAAP USA was effective for us on January 1, 2008. We did not elect the fair value option for any assets or liabilities that were not previously carried at fair value. Accordingly, the adoption of GAAP USA had no impact on our consolidated financial statements.

In October 2008, the FASB issued clarification to GAAP USA which clarifies the application of GAAP USA in a market that is not active, and addresses application issues such as the use of internal assumptions when relevant observable data does not exist, the use of observable market information when the market is not active, and the use of market quotes when assessing the relevance of observable and unobservable data. GAAP USA is effective for all periods presented. The adoption of GAAP USA did not have a significant impact on our consolidated financial statements.

Item No. 7A – Qualitative and Quantitative Disclosures Regarding Market Risk

Not applicable.

Item No. 8 – Financial Statements and Supplementary Data

Reference is made to the Consolidated Financial Statements contained in Part IV hereof.

Item No. 9 – Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item No. 9A – Controls and Procedures

Disclosure Controls and Procedures

As required by Rule 13a-15(b) under the Exchange Act, we conducted an evaluation, under the supervision and with the participation of our management, including our Principal Executive Officer and Principal Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2015, the end of the period covered by this report. Based upon that evaluation, the Principal Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2015, to ensure that the information required to be disclosed by us in the reports that we file or submit under Security Exchange Act of 1934, as amended, (a) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (b) is accumulated and communicated to our management, including officers, as appropriate, to allow for timely decisions regarding required disclosure. There were no material changes in our internal control over financial reporting during the fourth quarter of 2015 that have materially affected or are reasonably likely to materially affect our internal controls over financial reporting.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of the management and the Board; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of Company assets that could have a material effect on the financial statements.

Our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control – Integrated Framework issued by the Committee Sponsoring Organizations of the Treadway Commission. This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operation effectiveness of controls and a conclusion on this evaluation. Although there are inherent limitations in the effectiveness of any system of internal controls over financial reporting, based on our evaluation, management has concluded our internal controls over financial reporting were effective as of December 31, 2015.

This annual report does not include an attestation report of the company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the company to provide only management's report in this annual report.

Item 9B – Other Information

None

PART III

Item No. 10 – Directors and Executive Officers of the Registrant

Information called for by Item 9 of Part III is incorporated by reference to the definitive Proxy Statement for the 2016 Annual Meeting of Shareholders which is expected to be filed with the Commission within 120 days after December 31, 2015.

Item No. 11 – Executive Compensation

Information called for by Item 10 of Part III is incorporated by reference to the definitive Proxy Statement for the 2016 Annual Meeting of Shareholders which is expected to be filed with the Commission within 120 days after December 31, 2015.

Item No. 12 – Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information called for by Item 11 of Part III is incorporated by reference to the definitive Proxy Statement for the 2016 Annual Meeting of Shareholders which is expected to be filed with the Commission within 120 days after December 31, 2015.

Item No. 13 – Certain Relationships and Related Transactions

Information called for by Item 12 of Part III is incorporated by reference to the definitive Proxy Statement for the 2016 Annual Meeting of Shareholders which is expected to be filed with the Commission within 120 days after December 31, 2015.

Item No. 14 – Principal Accountant Fees and Services

Information called for by Item 13 of Part III is incorporated by reference to the definitive Proxy Statement for the 2016 Annual Meeting of Shareholders which is expected to be filed with the Commission within 120 days after December 31, 2015.

PART IV

Item No. 15 – Exhibits and Financial Statement Schedules

The Consolidated Financial Statements filed as part of this report on Form 10-K are listed on the accompanying
1. Index to Consolidated Financial Statements and Consolidated Financial Statement Schedules.

2. Financial schedules required to be filed by Item 8 of this form, and by Item 15(d) below:

Schedule II Valuation and qualifying accounts

All other financial schedules are not required under the related instructions or are inapplicable and therefore have been omitted.

3.

Exhibits:

Exhibit Number	Document
3.1	Third Restated Certificate of Incorporation of CTI Industries Corporation (Incorporated by reference to Exhibit A contained in Registrant's Schedule 14A Definitive Proxy Statement for solicitation of written consent of shareholders, as filed with the Commission on October 25, 1999)
3.2	By-Laws of CTI Industries Corporation (Incorporated by reference to Exhibit 3.2, contained in Registrant's Form SB-2 Registration Statement (File No. 333-31969) effective November 5, 1997)
4.1	Form of CTI Industries Corporation's common stock certificate (Incorporated by reference to Exhibit 4.1, contained in Registrant's Form SB-2 Registration Statement (File No. 333-31969) effective November 5, 1997)
10.1	CTI Industries Corporation 2001 Stock Option Plan (Incorporated by reference to Appendix E contained in Registrant's Schedule 14A Definitive Proxy Statement, as filed with the Commission on May 21, 2001)
10.2	CTI Industries Corporation 2002 Stock Option Plan (Incorporated by reference to Appendix A contained in Registrant's Schedule 14A Definitive Proxy Statement, as filed with the Commission on May 15, 2002)
10.3	CTI Industries Corporation 2009 Stock Incentive Plan (Incorporated by reference to Schedule A contained in Registrant's Schedule 14A Definitive Proxy Statement, as filed with the Commission on April 30, 2009)
10.4	Credit Agreement between Harris N.A. and CTI Industries Corporation dated April 29, 2010 (Incorporated by reference to Exhibit 10.2 contained in Registrant's Report on Form 10-Q dated May 14, 2010)
10.5	Mortgage and Security Agreement between Harris N.A. and the Company dated April 29, 2010 (Incorporated by reference to Exhibit 10.3 contained in Registrant's Report on Form 10-Q dated May 14, 2010)
10.6	Security Agreement between Harris N.A. and the Company dated April 29, 2010 (Incorporated by reference to Exhibit 10.4 contained in Registrant's Report on Form 10-Q dated May 14, 2010)
10.7	Pledge Agreement between Harris N.A. and the Company dated April 29, 2010 (Incorporated by reference to Exhibit 10.5 contained in Registrant's Report on Form 10-Q dated May 14, 2010)

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- 10.8 Trademark License Agreement between S.C. Johnson & Son, Inc. and the Company dated December 14, 2011 (Incorporated by reference to Exhibit 10.14 contained in Registrant's Report on Form 10-K dated March 29, 2012)
- 10.9 Third Amendment to Credit Agreement between BMO Harris Bank, N.A. and the Company dated July 17, 2012 (Incorporated by reference to Exhibit 10.1 contained in Registrant's Report on Form 10-Q dated August 14, 2012).
- 10.10 Replacement Revolving Note between BMO Harris Bank, N.A. and the Company dated July 17, 2012 (Incorporated by reference to Exhibit 10.2 contained in Registrant's Report on Form 10-Q dated August 14, 2012).
- 10.11 Note and Warrant Purchase Agreement between BMO Private Equity, Inc. and the Company dated July 17, 2012 (Incorporated by reference to Exhibit 10.3 contained in Registrant's Report on Form 10-Q dated August 14, 2012).
- 10.12 Warrant Agreement between BMO Private Equity (U.S.), Inc. and the Company dated July 17, 2012 (Incorporated by reference to Exhibit 10.4 contained in Registrant's Report on Form 10-Q dated August 14, 2012).
- 10.13 Senior Secured Subordinated Promissory Note between BMO Private Equity (U.S.), Inc. and the Company dated July 17, 2012 (Incorporated by reference to Exhibit 10.5 contained in Registrant's Report on Form 10-Q dated August 14, 2012).
- 10.14 Lease Agreement between Schultz Bros. Co. and the Company dated September 19, 2012 (Incorporated by reference to Exhibit 10.8 contained in Registrant's Report on Form 10-Q dated November 14, 2012).
- 10.15 Fourth Amendment to Credit Agreement between BMO Harris Bank, N.A. and the Company dated April 12, 2013. (Incorporated by reference to Exhibit 10.1 contained in Registrant's Report on Form 10-Q dated May 15, 2013).
- 10.16 First Amendment to Note and Warrant Purchase Agreement between BMO Private Equity (U.S.), Inc. and the Company dated April 12, 2013. (Incorporated by reference to Exhibit 10.2 contained in Registrant's Report on Form 10-Q dated May 15, 2013).
- 10.17 Supply Agreement between Toray Plastics (America), Inc. and the Company dated December 30, 2013 (Incorporated by reference to Exhibit 10.20 contained in Registrant's Report on Form 10-K dated March 31, 2014).
- 10.18 Consignment and Pay by Scan Agreement between Food Lion L.L.C. and CTI Supply, Inc. dated December 10, 2014. (Incorporated by reference to Exhibit 10.18 contained in Registrant's Report on Form 10-K dated March 30, 2015).

- 10.19 Fifth Amendment to Credit Agreement between BMO Harris Bank, N.A. and the Company dated December 23, 2014. (Incorporated by reference to Exhibit 10.19 contained in Registrant's Report on Form 10-K dated March 30, 2015).
- 10.20 Second Amendment to Note and Warrant Purchase Agreement between BMO Private Equity (U.S.), Inc. and the Company dated December 23, 2014. (Incorporated by reference to Exhibit 10.20 contained in Registrant's Report on Form 10-K dated March 30, 2015).
- 10.21 Sixth Amendment to Loan Agreement between BMO Harris Bank, N.A. and the Company dated October 13, 2015 (Incorporated by reference to Exhibit 10.1 contained in Registrant's Report on Form 10-Q dated November 12, 2015).
- 14 Code of Ethics (Incorporated by reference to Exhibit contained in the Registrant's Form 10-K/A Amendment No. 2, as filed with the Commission on October 8, 2004)
- 21 Subsidiaries (description incorporated in Form 10-K under Item No. 1)
- 23.1 Consent of Independent Registered Public Accounting Firm, Plante & Moran, PLLC.
- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and rule 15d-14(a) of the Securities Exchange Act, as amended (filed herewith)
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and rule 15d-14(a) of the Securities Exchange Act, as amended (filed herewith)
- 32 Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)
- 99 Audited financial statements of the Company's subsidiary, Flexo Universal, S. de R.L. de C.V. for the year ended December 31, 2015.
- 101 Interactive Data Files, including the following materials from the Company's Annual Report on Form 10-K for the year ended December 31, 2015, formatted in XBRL: (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Cash Flows, and (iv) the Notes to Consolidated Financial Statements.

(a) The Exhibits listed in subparagraph (a)(3) of this Item 15 are attached hereto unless incorporated by reference to a previous filing.

(b) The Schedule listed in subparagraph (a)(2) of this Item 15 is attached hereto.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act the Registrant caused this report to be signed on its behalf by the undersigned thereunto duly authorized on March 29, 2016.

CTI INDUSTRIES
CORPORATION

By: /s/ Stephen M. Merrick
Stephen M. Merrick, President

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ John H. Schwan John H. Schwan	Chief Executive Officer and Director	March 29, 2016
/s/ Stephen M. Merrick Stephen M. Merrick	President, Secretary, and Director	March 29, 2016
/s/ Timothy S. Patterson Timothy S. Patterson	Chief Financial Officer and Senior Vice President of Finance	March 29, 2016
/s/ Stanley M. Brown Stanley M. Brown	Director	March 29, 2016
/s/ Bret Tayne Bret Tayne	Director	March 29, 2016
/s/ John I. Collins John I. Collins	Director	March 29, 2016
/s/ John Klimek John Klimek	Director	March 29, 2016

CTI Industries Corporation

and Subsidiaries

Consolidated Financial Statements

Years ended December 31, 2015 and 2014

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Financial Statement Schedule: