

**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, 2023**

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**

**YUNHONG GREEN CTI LTD.**

(Exact name of registrant as specified in its charter)

Illinois  
(State or other jurisdiction of  
incorporation or organization)

36-2848943  
(I.R.S. Employer  
Identification No.)

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

60010  
(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Ticker symbol(s)	Name of each exchange on which registered
Common Stock, no par value per share	YHGJ	The NASDAQ Stock Market LLC

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller Reporting Company ☒ Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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 \$1.97 per share of the Registrant's Common Stock as reported on NASDAQ Capital Market tier of The NASDAQ Stock Market on June 30, 2023, the aggregate market value of the voting common stock held by non-affiliates of the Registrant was then approximately \$14,768,000. (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 20, 2024 was 20,771,937 (excluding treasury shares).

**DOCUMENTS INCORPORATED BY REFERENCE**

The Registrant's definitive Proxy Statement for the Annual Meeting of Shareholders (the "2024 Proxy Statement") is incorporated by reference in Part III of this Form 10-K to the extent stated herein. The 2024 Proxy Statement, or an amendment to this Form 10-K, will be filed with the SEC within 120 days after December 31, 2023. Except with respect to information specifically incorporated by reference in this Form 10-K, the Proxy Statement is not deemed to be filed as a part hereof.

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## FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K 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 on Form 10-K. We disclaim any intent or obligation to update any forward-looking statements after the date of this Annual Report on Form 10-K 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, the resolution of litigation or other legal proceedings to which we may become involved, 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 –Business

##### Business Overview

We develop, produce, distribute and sell a number of consumer products throughout the United States and in several 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 films for commercial packaging applications.

Our principal lines of products include:

**Novelty Products** consisting principally of foil and latex balloons and related gift items; and

**Flexible Films** for food and other commercial and packaging applications.

In addition to these principal product lines, for the past several years, we have engaged in the assembly and sale of balloon-inspired gift items (small gift bouquets of arranged candy items often including ribbons and/or a small foil balloon).

During 2023 we expanded to include samples of compostable material intended to replace single-use plastic and other materials. Adding these materials to our Company inspired us to ask our shareholders to include "Green" in our name and to reflect our name in new trading symbol "YHGJ". Our shareholders approved of these actions during August 2023.

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

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We print, process and convert flexible film into finished products and we produce 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 on plastic 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 or reselling latex balloons and other latex novelty items; and
- Assembling and inflating of novelty products and balloons and Candy Blossoms.

In 1978, we began manufacturing metalized balloons (often referred to as “foil” balloons), which are balloons made of a base material (usually nylon or polyester) often having vacuum deposited aluminum and polyethylene coatings. These balloons remain buoyant when filled with helium for much longer periods than latex balloons and permit the printing of graphic designs on the surface. In 1985, we began marketing latex balloons and, in 1988, we began manufacturing latex balloons. In 1999, we acquired 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 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, Canada and Mexico and in a number of other countries. 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. We may obtain licenses from time to time for well-known characters and print those characters and messages on our balloons.

We provide customized laminated films and printed films to customers who utilize the film to produce bags or pouches for the packaging of food, liquids and other items. In 2014, we began assembling and producing balloon-inspired gifts - containers including candy items and, often, air-inflated balloons.

In 2023, our revenues from our product lines, as a percent of total revenues were:

• Novelty Products	66% of revenues
• Flexible Film Products	5% of revenues
• Balloon-inspired gifts and Other Products	29% of revenues

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

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## Business Strategies and Developments

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

- *Management.* During 2020 Ms. Jana Schwan became our Chief Operating Officer after having served as Vice President of Operations and a number of other roles of increasing responsibility during her 20 years with the Company. During 2021, Mr. Cesario rejoined the Company's Board of Directors. During January 2022, Mr. Cesario rejoined the Company as Chief Executive Officer and Acting Chief Financial Officer, with Mr. Yubao Li retaining the role of Chairman of the Board of Directors.
- *Financing.* We entered into a credit facility during September 2021 that was extended during 2023 expiring September 2025. We have been in compliance with this credit facility since inception.
- *Strategy.* Our management determined to focus on achieving growth and profitability within the current scope of our core product lines – foil balloons and related products – from our United States based business. In addition, we seek to leverage advancements in compostable materials from a group of companies based in China that are directly or indirectly controlled by our Chairman and director, Mr. Yubao Li (collectively, and including LF International plc, these other companies are referred to herein as the “Yunhong Companies” or “Yunhong Group”). We believe the combination of traditional product optimization with risk-managed investment in new materials is the right combination for our company.
- *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 have focused our efforts on these core assets and areas of expertise – film novelty products, specialty film products, laminated films and printed films – to develop new products, to market and sell our products and to build our revenues.
- *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. We work with customers to develop custom film products which serve the unique needs or requirements of the customer. We seek to leverage the advancements of other Yunhong Companies.
- *Develop New Channels of Distribution and New Sales Relationships.* We seek to organically 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 products in the United States and in Europe, Mexico, Latin America and Australia. We also look to leverage resources within the Yunhong China Group for a wide range of topics, from sales to sourcing.
- *Product and Line Extensions.* We intend to pursue new product lines and product line extensions, through internal developments.

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## Products

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

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

*Latex Balloons.* Our former subsidiary in Guadalajara, Mexico, Flexo Universal, S. de R.L. de C.V. (“Flexo Universal”) manufactures latex balloons in a wide variety of sizes and colors. Flexo Universal was sold during October 2021. The Company currently sources latex products from a foreign supplier and resells those products to customers that seek both foil and latex solutions.

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

*Other Products.* In 2014, we began assembly and sale of our balloon-inspired gifts product line (typically a presentation of candy with a balloon in a decorative arrangement for gifting). We have since supplemented this product line with related products.

## Markets

## *Foil Balloons*

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

Foil balloons are now sold in virtually every region of the world. The United States 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.

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### *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.

### *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 work in collaboration with our customers on designs, promotions, and other elements of marketing and selling. Our customers are typically retailers who sell our products to individual consumers. These relationships generally can be terminated unilaterally by either us or our customers. We must maintain good relationships with our customers if this sales model is to be successful.

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. We sell directly to foreign customers from the United States.

We sell and distribute our balloon products (i) through our sales staff and customer service personnel in the United States, (ii) through a network of distributors and wholesalers, (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 sometimes engage in advertising and promotional activities to promote the sale of our balloon products. We produce catalogs of our balloon products, and also prepare various flyers and brochures for special or seasonal products, which we disseminate to customers, potential customers and others. We maintain websites which show images of our products.

### *Printed and Specialty Films*

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

### *Other Products*

Other products are sold by our internal sales force directly to customers and also by independent sales representatives. These products are generally sold directly to retail outlets or other intermediaries to the ultimate consumer (for example, to a florist).

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## **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, and (ii) our 69,000 square foot facility in Elgin, Illinois consisting of warehouse, packaging and office space.

Our production operations include (i) lamination and extrusion coating of films, (ii) slitting of film rolls, (iii) printing on film and on latex balloons, (iv) converting film to completed products including balloons, flexible containers and pouches, (v) distributing latex balloon products, (vi) inflating of air-filled balloons, and (vii) assembling Candy blossoms. We perform all of the lamination, extrusion coating and slitting activities in our Lake Barrington, Illinois plant. We complete air-filling and assembly of balloons and balloon-inspired gifts in our Elgin, Illinois facility.

We warehouse raw materials in Lake Barrington, Illinois and we warehouse finished goods at our facilities in Lake Barrington, Illinois and Elgin, Illinois. We maintain customer service and fulfillment operations at each of our locations. We conduct sales operations for the United States and for all other markets at the Lake Barrington, Illinois facility.

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

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

## **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) printing inks, and (iv) bulk candy. 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. 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.

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 fluctuated substantially and the availability of helium has, on occasion, been limited. During 2018 and 2019, the availability of helium declined and the cost of helium increased. The supply of helium improved significantly until 2022, when another set of supply disruptions caused significant price escalation of helium. The price of helium has gradually decreased during the second half of 2022 and through 2023, but remains higher than prior to February 2022. Any future occurrence of limited availability and/or an increase in the cost of helium could adversely affect our sales of foil balloons.

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## Competition

The balloon and novelty industry is highly competitive, with numerous competitors. We believe the principal manufacturers of foil balloons whose products are sold in the United States include Anagram International, Inc., Pioneer Balloon Company, Convertidora Internacional S.A. de C.V., and Betallic, LLC. Several companies market and sell foil balloons designed by them and manufactured by others for them. In addition, there are several additional foil balloon manufacturers in Europe and China who participate in our markets.

We compete for the sale of latex balloons in the United States, Canada, Mexico, Latin America, the United Kingdom, Australia and Europe. There are a number of other companies situated in the United States, Mexico, Asia, South America and Europe who manufacture latex balloons and with whom we compete in the markets in which we participate. The markets are highly competitive with respect to price, quality and terms.

The market for films, packaging, 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. As of December 31, 2023, we held 1 issued patent in the United States scheduled to expire in 2024. While intellectual property rights are helpful, we believe that their degree of protection is uncertain. Competitors may violate our intellectual property rights, forcing us to decide whether to challenge them. Such rights may or may not withstand challenge. Conversely, entities may charge us with violating their intellectual property rights. Failure to protect our rights, or conflict with the rights of one or more other entities, may negatively impact our financial and competitive position.

*Proprietary Designs and Copyright Licenses.* We design the shapes and graphic designs of most of our foil balloon products.

*Trademarks.* We own nine registered trademarks in the United States relating to our balloon products, including trademark applications. Some 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.

## 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, 2023 and 2022, we estimate that the total amount spent on research and development activities was approximately \$200,000 and \$200,000, respectively.

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## Employees

As of December 31, 2023, the Company had 57 full-time employees in the United States, of whom 14 are executive or supervisory, 2 are in sales, 29 are in manufacturing or warehouse functions and 12 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.

Beginning November 2018, the Company experienced severe difficulty in securing adequate seasonal workers in its US operations, forcing it to pay substantially higher costs in the form of overtime and a holiday premium. The Company expects its local labor market in the US (near Chicago) to continue to become more costly over time, which, if not changed, would negatively impact its future profitability. The Company has introduced additional automation features in its production lines during 2022 and 2023 and expects to continue to implement automation tools during 2024 and beyond.

## 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.

An increasing number of regulations and actions relate to the integrity and security of individually identifiable data. Additionally, we require the effective use of data in running our business. While we are not aware of losses in the past, access of such data by unauthorized persons may expose us to costs, fines, penalties, and loss of customer confidence.

## International Operations

We have no international operations.

## Available Information

We maintain our corporate website at [www.ctiindustries.com](http://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](http://www.sec.gov), which 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, Clawback Policy and our Board Committee Charters. The information contained on our website does not constitute a part of this report.

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**Item No. 1A – Risk Factors**

***Our business and results of operations have been and may continue to be negatively impacted by the spread of COVID-19.***

We sell our products throughout the United States and in many foreign countries and may be impacted by public health crises beyond our control. This could disrupt our operations and negatively impact consumer spending and confidence levels, and supply availability and costs, all of which can affect our financial results, condition, and outlook. Our customers, suppliers and distributors may experience similar disruption. Importantly, the global pandemic resulting from COVID-19 has disrupted global health, economic and market conditions.

Throughout 2021 and into 2022 the landscape improved from 2020, but the issue continues to drive elements of disruption in the ability to travel, attract and retain workers, manage production configurations and protocols, the supply chain and customer base. While we cannot predict the duration or scope of the COVID-19 pandemic, the resurgence of infections in one or more markets, or the impact of vaccines across the globe, the COVID-19 pandemic has negatively impacted our business and is expected to continue to impact our financial results, condition and outlook in a way that may be material.

COVID-19 has also delayed certain strategic transactions the Company intended to close during 2020, most notably its attempted sale of its former subsidiary Flexo Universal which was ultimately realized during October 2021 and the potential relocation of certain activities to the Laredo, Texas area, which is no longer a consideration of the Company.

***Our business and results of operations have been and may continue to be negatively impacted by supply chain disruptions and inflationary pressure.***

Beginning in 2021 we saw material shortages, supply chain interruption, and reduced ability to transport goods throughout the United States and on a global scale. These pressures forced us to take steps to ensure the availability of products, including buying materials at higher prices and more aggressively managing lead times. Despite these efforts, our ability to fulfill customer demands was challenged. We also were forced to pass cost increases on to customers in the form of price increases, which threatened our ability to maintain sales volume. While we believe we were largely successful in passing along these increased costs, such pressures may negatively impact our financial results and book of business going forward.

***The price and availability of helium may negatively impact our largest product line.***

Beginning in February 2022 we saw a dramatic increase in the price of helium. We understand Russia to be a net exporter of helium prior to February 2022, and at that time one of the largest manufacturing facilities in the United States was damaged by fire. Our largest product line consists of balloons that are filled with helium by customers. When the cost of helium increases, our customers become more likely to temporarily not carry helium, or to increase prices to customers that may have a negative impact on ultimate demand. From May 2022 through the end of 2023, we believe our revenue was negatively impacted by several million dollars due to the price of helium. The price of helium gradually reduced during 2022 and 2023. Helium remains slightly elevated, though not at the level experienced during 2022. The longer the price of helium exceeds a normal range, the more negatively our business will be impacted.

***The efficient trading of our common stock on an appropriate platform.***

Twice during 2022 we were informed by Nasdaq that the bid price of our common stock had been below \$1 for an extended period of time and that we risked being delisted if that problem was not satisfactorily resolved. As of January 19, 2023, we received confirmation from the Nasdaq that we had regained compliance with the minimum bid requirement for continued listing.

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**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.

**Item No. 1C -- Cybersecurity**

Our business is subject to risk from cybersecurity threats and incidents, including attempts to gain unauthorized access to our systems and networks, or those of our managers, venture partners and third-party vendors and service providers, to disrupt operations, corrupt data or steal confidential or personal information and other cybersecurity breaches. We consider cybersecurity risk a threat to our assets and thus have put processes in place designed to mitigate the risk and impact of any such cybersecurity threat or incident.

**Risk Management and Strategy**

As part of our cybersecurity risk management process, we:

- Research and consider recommendations and “best practices” in the field, including procedures with respect to evaluation and monitoring of cybersecurity threats and incidents;
- Consider whether and when to engage third-party security firms to monitor and respond to cybersecurity threats and incidents, including those associated with our use of third-party vendors and service providers, and conduct periodic penetration tests with the aim of identifying and remediating vulnerabilities.
- Periodically evaluate and assess cybersecurity risks, including those associated with our use of key third-party business partners, vendors and service providers. We do not control the cybersecurity plans and systems put in place by such third parties and we may have limited contractual protections with such third parties, such as indemnification obligations to us, which could cause us to be negatively impacted as a result;
- Provide employees with the training, tools and resources designed to protect the Company from cybersecurity threats and incidents and to identify and report such threats and incidents. Our employees receive training and reminders on cybersecurity protocols throughout the year; and
- Seek to minimize the amount of personal information collected to support business needs and use storage and transfer protocols leveraging encryption of critical information, including confidential or personal information.

Our processes for assessing, identifying, and managing material risks from cybersecurity threats and incidents are integrated into our process, which includes direct participation with personnel from our senior leadership team. Existing risks are evaluated for changes, and mitigation strategies are discussed as needed. New risks are discussed and evaluated for consideration as a top risk. Results are discussed with our Board of Directors on an as needed basis.

The Company has not identified any cybersecurity threats or incidents that have materially affected or are reasonably likely to materially affect the Company, including with respect to our business strategy, results of operations, or financial condition. While we have implemented measures designed to help mitigate the risk from cybersecurity threats and incidents, we cannot guarantee that we or our tenants, managers or business partners will be successful in preventing a cybersecurity incident, which could result in a data center outage, disrupt our systems and operations or the systems and operations of our tenants, managers or business partners, compromise the confidential or personal information of our employees or partners, which could damage our business relationships and reputation. Although we have implemented various measures designed to manage risks relating to these types of events, these measures and the systems supporting them could prove to be inadequate and, if compromised, could become inoperable for extended periods of time, cease to function properly or fail to adequately secure confidential or personal information. See “Risk Factors—Our Legal, Compliance and Regulatory Risks—The occurrence of cybersecurity incidents could disrupt our operations or the operations of the third parties with whom we do business, invest in or lend to, result in the loss of confidential or personal information or damage our or their business relationships and reputation. included in Part I, Item 1A of this Annual Report.



## Governance

Our Board of Directors, directly and through its committees, routinely discusses significant enterprise risks with management and reviews the procedures we have in place designed to manage those risks. At Board and committee meetings, directors engage in analyses and dialogue which can include any aspect of business risk. In addition to the overall risk oversight function administered directly by our Board, the Audit and Compliance Committee of our Board also exercises oversight over managing the Company's cybersecurity risks.

Management has primary responsibility for identifying, assessing and managing our exposure to cybersecurity threats and incidents, subject to oversight by our Board of Directors of the processes we establish to assess, monitor and mitigate that exposure.

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If a potentially material cybersecurity threat or incident is identified or discovered, the Company's Management Team will notify relevant business executives, the Board of Directors, Legal Counsel, and other relevant entities. Our Chief Executive Officer, or that person's designated representative, will work with the appropriate leaders and employees in any impacted business groups, as well as appropriate personnel in our finance, legal and potentially impacted departments, to assess the risks to the Company and potential impact while determining appropriate remediation steps.

If management determines that a cybersecurity threat or incident could be material to the Company, our management will notify the Audit Committee, and to our full Board of Directors.

#### Item No. 2 – Properties

We executed a sale and leaseback transaction during 2021 on 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. The lease is for ten years, and annual rent increases from \$500,000 the first year to \$652,000 during the final year.

During 2021 we entered into a sublease agreement, which was extended during 2022, now expiring on December 31, 2025 to rent approximately 69,000 square feet of warehouse and assembly space in Elgin, Illinois. The annual lease cost for this facility will rise to \$445,000 during the final year of the lease.

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.

#### Item No. 4. – Mine Safety Disclosures

Not Applicable.

## 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. During September 2023 we changed our symbol to "YHGX" when we renamed our company "Yunhong Green CTI Ltd." These changes did not otherwise impact our shareholders or other attributes.

As of December 31, 2023 there were approximately 400 holders of record of the Company's Common Stock. The Company's total number of beneficial owners of common stock of the Company was approximately 30.

The Company did not pay any cash dividends on its Common Stock during 2023 or 2022 and has no plans to pay dividends in the foreseeable future. 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. During 2022 the Company received three deficiency notices from NASDAQ – one for the failure to hold an annual meeting of shareholders during 2021, and the other two for failure to maintain the required \$1 bid price during a 30 day period in 2022. The Company held an annual meeting on June 17, 2022, which resolved the first deficiency. The Company's common stock achieved the required bid price during 2022, resolving the first bid price deficiency, but subsequently fell below the required bid price and remained there for six months. NASDAQ provided the Company a notice of delisting in November 2022, which the Company appealed. A hearing was held on January 5, 2023 on this matter. Subsequently, on January 19, 2023, NASDAQ confirmed that the Company had regained compliance with the continued listing standard related to minimum bid price.

On March 14, 2024, our common stock closed at \$1.62 per share.

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## EQUITY COMPENSATION PLAN INFORMATION

There were no stock option incentive plans outstanding as of December 31, 2023. Effective January 2022, the Company issued an inducement grant to its newly hired Chief Executive Officer for 250,000 shares of restricted stock. 25,000 of those shares vested during January 2022, while the remaining shares were subject to achievement of certain performance conditions. 56,250 of these remaining shares vested during 2022 when the Company refinanced the terms of its credit facility. Additionally, the restrictions on 56,250 shares of the award lapsed and the award vested during 2023 when the Company's operating cash flow, calculated cumulatively from the date of employment, equaled or exceeded \$1.5 million. The Company also provided a grant of shares of restricted stock to its Chief Operating Officer, with 20,000 shares vesting over 12 months and the remaining 80,000 shares vesting based on performance criteria being met. Of these remaining shares, 20,000 subsequently vested when the Company refinanced the terms of its credit facility and another 20,000 shares vested upon the achievement of operating cash flow described above.

During 2023, the Company's Board of Directors enacted an Executive Compensation Recovery Policy, commonly referred to as a "Clawback" policy. This policy enhances the Company's ability to recover incentive compensation in the event of a restatement or similar adjustment impacting the achievement of such incentive compensation.

#### Item No. 6 – Selected Financial Data

We are a smaller reporting company, as defined by Rule 12b-2 of the Securities Exchange Act of 1934, as amended, and are not required to provide the information required under this item.

### 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 (sourced from an external party) and related products, films for packaging applications, and custom film products. We produce all of our film products for packaging and container

applications at our facilities in Lake Barrington, Illinois. 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 and a number of additional countries. In addition, the Company assembles and sells balloon-inspired gifts (including containers of arranged candy items) in the United States.

We changed our capital structure, beginning January 2020. This includes:

#### **Series A Preferred Stock**

On January 3, 2020, the Company entered into a stock purchase agreement (as amended on February 24, 2020 and April 13, 2020 (the “LF Purchase Agreement”)), pursuant to which the Company agreed to issue and sell, and LF International Pte. Ltd., a Singapore private limited company (“LF International”), which is controlled by Company director, Chairman, President and Chief Executive Officer, Mr. Yubao Li, agreed to purchase, up to 500,000 shares of the Company’s newly created shares of Series A Preferred Stock (“Series A Preferred”), with each share of Series A Preferred initially convertible into ten shares of the Company’s common stock, at a purchase price of \$10.00 per share, for aggregate gross proceeds of \$5,000,000 (the “LF International Offering”). As permitted by the Purchase Agreement, the Company may, in its discretion issue up to an additional 200,000 shares of Series A Preferred for a purchase price of \$10.00 per share (the “Additional Shares Offering,” and collectively with the LF International Offering, the “Offering”). Approximately \$1 million of Series A Preferred has been sold, including to an investor which converted an account receivable of \$478,000 owed to the investor by the Company in exchange for 48,200 shares of Series A Preferred. The Company completed several closings with LF International from January 2020 through June 2020. The majority of the funds received reduced our bank debt. We issued a total of 400,000 shares of common stock to LF International and, pursuant to the LF Purchase Agreement, changed our name from CTI Industries Corporation to Yunhong CTI Ltd. LF International had the right to name three directors to serve on our Board. They were Mr. Yubao Li, Ms. Wan Zhang and Ms. Yaping Zhang. Ms. Wan Zhang and Ms. Yaping Zhang retired from the Board in January 2022.

The issuance of the Series A Preferred generated a beneficial conversion feature (BCF), which arises when a debt or equity security is issued with an embedded conversion option that is beneficial to the investor or in the money at inception because the conversion option has an effective strike price that is less than the market price of the underlying stock at the commitment date. The fair value of the common stock into which the Series A Preferred was convertible exceeded the allocated purchase price fair value of the Series A Preferred Stock at the closing dates by approximately \$2.5 million as of the closing dates. We recognized this BCF by allocating the intrinsic value of the conversion option, to additional paid-in capital, resulting in a discount on the Series A Preferred. As the Series A Preferred is immediately convertible, the Company accreted the discount on the date of issuance. The accretion was recognized as dividend equivalents. Holders of the Series A Preferred were entitled to receive quarterly dividends at the annual rate of 8% of the stated value (\$10 per share). Such dividends may be paid in cash or in shares of common stock at the Company’s discretion. In the three months ended September 30, 2023 and 2022 the Company accrued none and \$67,000 of these dividends in each period, respectively, as the investor converted Series A Convertible Preferred Stock into common stock on September 1, 2022. This conversion resulted in the issuance of 5 million shares of common stock plus an additional approximately 1.3 million shares of common stock representing the accrued dividends.

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#### **Series B Preferred Stock**

In November 2020, we issued 170,000 shares of Series B Preferred for an aggregate purchase price of \$1,500,000. The Series B Preferred have an initial stated value of \$10.00 per share and liquidation preference over common stock. The Series B Preferred is convertible into shares of our common stock equal to the number of shares determined by dividing the sum of the stated value and any accrued and unpaid dividends by the conversion price of \$1.00. The Series B Preferred accrues dividends at a rate of 8 percent per annum, payable at our election either in cash or shares of the Company’s common stock. Initially, the Series B Preferred, in whole or part, was redeemable at the option of the holder (but not mandatorily redeemable) at any time on or after November 30, 2021 for the stated value, plus any accrued and unpaid dividends and thus was classified as mezzanine equity and initially recognized at fair value of \$1.5 million (the proceeds on the date of issuance). The carrying value as of September 30, 2023 and December 31, 2022 amounted to none and \$1,851,000, respectively. On February 1, 2023, the investor converted Series B Preferred into approximately 1.9 million shares of common stock, including accrued dividends.

#### **Series C Preferred Stock**

In January 2021 we entered into an agreement with a related party, LF International Pte. Ltd. which is controlled by Company director and Chairman, Mr. Yubao Li, to purchase shares of Series C Preferred stock. We issued 170,000 shares of Series C Preferred for an aggregate purchase price of \$1,500,000. The Series C Preferred have an initial stated value of \$10.00 per share and liquidation preference over common stock. The Series C Preferred is convertible into shares of our common stock equal to the number of shares determined by dividing the sum of the stated value and any accrued and unpaid dividends by the conversion price of \$1.00. The Series C Preferred accrues dividends at a rate of 8 percent per annum, payable at our election either in cash or shares of the Company’s common stock. The issuance of the Series C Preferred generated a beneficial conversion feature (BCF), which arises when a debt or equity security is issued with an embedded conversion option that is beneficial to the investor or in the money at inception because the conversion option has an effective strike price that is less than the market price of the underlying stock at the commitment date. The fair value of the common stock into which the Series C Preferred was convertible exceeded the allocated purchase price of the Series C Preferred at the closing dates by greater than the allocated purchase price. Therefore, the BCF was the purchase price of the Series C Preferred (\$1.5 million) and was allocated to Additional Paid-in Capital, resulting in a discount on the Series C Preferred Stock. As the Series C Preferred Stock is immediately convertible, the Company accreted the discount on the date of issuance. The accretion to the carrying value of the Series C Preferred is treated as a deemed dividend, recorded as a charge to Additional Paid in Capital and deducted in computing earnings per share. On September 1, 2022, the investor converted Series C Preferred into approximately 2 million shares of common stock, including accrued dividends.

#### **Series D Preferred Stock**

In June 2021, the Company received \$1.5 million from an unrelated third party as an advance on a proposed sale of Series D Redeemable Convertible Preferred Stock. As of September 30, 2021, the Company was in the process of negotiating and finalizing the terms of the arrangement. As the agreement was not finalized as of September 30, 2021, the \$1.5 million advance was classified as Advance from Investor within liabilities on the balance sheet at that time. As of December 31, 2021, the terms had been finalized, the investment was classified as equity, similar to the prior Convertible Preferred issuances, above. The issuance of the Series D Preferred generated a beneficial conversion feature (BCF), which arises when a debt or equity security is issued with an embedded conversion option that is beneficial to the investor or in the money at inception because the conversion option has an effective strike price that is less than the market price of the underlying stock at the commitment date. The fair value of the common stock into which the Series D Preferred was convertible exceeded the allocated purchase price fair value of the Series D Preferred Stock at the closing dates by approximately \$0.3 million as of the closing dates. We recognized this BCF by allocating the intrinsic value of the conversion option, to additional paid-in capital, resulting in a discount on the Series D Preferred. As the Series D Preferred is immediately convertible, the Company accreted the discount on the date of issuance. The accretion was recognized as dividend equivalents. Holders of the Series D Preferred will be entitled to receive quarterly dividends at the annual rate of 8% of the stated value (\$10 per share). Such dividends may be paid in cash or in shares of common stock at the Company’s discretion. In addition, 128,000 warrants to purchase the Company’s common stock were issued with respect to this transaction. These warrants are exercisable until December 1, 2024, at the lower of \$1.75 per share or 85% of the variable price based on the ten day volume weighted average price (“VWAP”) of the Company’s common stock. The value of these warrants was determined to be \$230,000 and recorded as an allocation of paid in capital associated with this transaction. On September 1, 2022, the investor converted Series D Preferred into approximately 1.8 million shares of common stock including accrued dividends.

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#### **Deposits and Note Conversion to Common Stock**

In connection with the 2021 sale and leaseback transaction of the Company’s primary facility in Lake Barrington, IL, the landlord advanced rent payments in the form of a note. The balance of that note on December 31, 2022 was approximately \$172,000. The note paid 3% interest and was due March 2024. In addition, the same entity made investment deposits during 2022 that were recorded as short term deposit liabilities. On February 1, 2023, our Board of Directors approved the conversion of these liabilities into common stock at a rate of approximately 84% of the volume weighted average price (VWAP) of the Company’s common stock during the period these deposits were received. In total, approximately \$0.9 million of liabilities were converted into approximately 1.8 million shares of our common stock. Upon conversion, both the note and deposit liabilities were fully eliminated. During December 2023, the 128,000 warrants associated with Series D were converted into approximately 41,000 shares of our common stock in a cashless exercise. In addition, the deferred rent liability from 2022 was converted into approximately 0.6 million shares of our common stock based on the VWAP calculation above. These transactions resolved all related outstanding liabilities from 2022.

#### **Investment Banking Fee**

The Company had an agreement with Garden State Securities beginning December 2019 and ending during 2020, wherein Garden State Securities sought equity and debt



investment opportunities and was due a fee related to successful investment. That agreement had a tail provision wherein Garden State Securities would be entitled to compensation related to investments from identified parties during a fixed period of time following the termination of the agreement, which has now expired. Pursuant to negotiation between the parties during April 2023, it was agreed that a total presentation of 125,000 restricted shares of common stock would result in the final resolution of compensation due Garden State Securities, including that related to Series C Preferred Stock, subsequently converted to common stock, and that the agreement and all related potential claims were concluded. The proceeds from this investment were not impacted by this resolution.

## Warrants

A summary of the Company's stock warrant activity is as follows:

	Shares under Option	Weighted Average Exercise Price
Balance at December 31, 2022	128,000	\$ 1.75
Granted	-	-
Cancelled/Expired	-	-
Exercised/Issued	(128,000)	\$ 1.75-
Outstanding at December 31, 2023	-	-
Exercisable at December 31, 2023	-	\$ -

During November 2023, the Company issued 675,183 shares of its common stock to retire all outstanding warrants, as well as a \$317,000 deferred liability. The warrants were converted in a cashless transaction based on the terms of the warrants. The Board of Directors determined the conversion price of the deferred liability would be consistent with the approach listed above, 84% of the volume weighted average price during the relevant time period. Both of these items are fully resolved upon this transaction.

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Effective January 2022, and in accordance with the Employment Agreement of Chief Executive Officer Frank Cesario, a grant of restricted stock was made in the amount of 250,000 shares. 25,000 shares vested immediately, while the remaining 225,000 are subject to performance conditions as further detailed in the share grant. Specifically, the restrictions on the remaining 225,000 shares will lapse based on satisfaction of the following performance goals and objectives and continued employment through the date of meeting such targets:

- The restrictions on 56,250 shares of the award will lapse and the award will vest when the Company's trailing-twelve-month EBITDA equals or exceeds \$1 million at any time on or after January 1, 2022.
- The restrictions on 56,250 shares of the award will lapse and the award will vest in the event the Company's common shares trade at or above \$5/share for ten or more consecutive trading days.
- The restrictions on 56,250 shares of the award will lapse and the award will vest when the Company's operating cash flow, calculated cumulatively from the date of employment, equals or exceeds \$1.5 million. On February 16, 2023, the Compensation Committee determined this condition had been satisfied.
- The restrictions on 56,250 shares of the award will lapse and the award will vest in the event the Company is able to refinance its current lender with a traditional lender on terms and conditions customary for such financing. On August 23, 2022, the Compensation Committee determined this condition had been satisfied with an amended agreement with the Company's lender.

During 2022, the Compensation Committee awarded the Company's Chief Operating Officer a grant of 100,000 shares of restricted stock. 20,000 of those shares vest over a 12 month period while the remaining shares vest 20,000 each based on the performance conditions above.

The Compensation Committee (as defined in the Plan) shall be responsible for determining when the conditions above have been satisfied. The Company records compensation expense with each vesting, and records a likelihood of vesting weighted analysis to the extent it has visibility to do so. Without such visibility, it considers such probability as de minimis until additional information is available.

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

Product Category	Twelve Months Ended			
	December 31, 2023		December 31, 2022	
	\$ (000) Omitted	% of Net Sales	\$ (000) Omitted	% of Net Sales
Foil Balloons	11,769	66%	10,858	60%
Film Products	928	5%	2,036	11%
Other	5,107	29%	5,154	29%
<b>Total</b>	<b>17,804</b>	<b>100%</b>	<b>18,048</b>	<b>100%</b>

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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. During 2023 and 2022, respectively, sales to our top 10 customers represented 94% and 90%, respectively, of net revenues for each year. During 2023 and 2022, there were two customers to whom our sales represented more than 10% of net revenues.

Our principal customer sales for 2023 and 2022 were:

Customer	Product	2023 Sales	% of 2023 Revenues	2022 Sales	% of 2022 Revenues
Wal-Mart	Balloons; Gifts	\$ 6,466,000	36%	\$ 6,497,000	35%
Dollar Tree Stores	Balloons	\$ 8,174,000	46%	\$ 6,729,000	36%

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.

## **Year Ended December 31, 2023 Compared to Year Ended December 31, 2022**

### Net Sales

For the fiscal year ended December 31, 2023, consolidated net sales from continuing operations of the sale of all products were \$17,804,000 compared to consolidated net sales of \$18,048,000 for the year ended December 31, 2022, a decrease of 1% as more fully described below.

Sales of foil balloons were \$11,769,000 in 2023 and \$10,858,000 in 2022, a increase of 8%. The first half of 2022 saw a significant increase in the price of helium which gradually reduced as the year progressed and into 2023. As most of our foil balloons are ultimately filled with helium, this was the primary reason for the decline in sales related to 2022 and increase in this area during 2023.

Sales of film products were \$928,000 in 2023 and \$2,036,000 in 2022, a decrease of 54%. Our largest customer in this area purchased more material than usual during the first nine months of 2022, ending with sufficient material to reduce orders during the last three months of 2022 and 2023.

Sales of other products increased to \$5,107,000 in 2023 from \$5,154,000 in 2022, a decrease of 1%. This category includes sales of balloon inspired gifts, which featured larger holiday orders than the prior year as well as the launch of an everyday offering.

### Cost of Sales

Cost of sales decreased to \$14,546,000 in 2023 from \$14,910,000 in 2022, a decrease of 2%. The decrease in cost of sales was primarily attributable to the 1% decrease in sales and impact of certain efficiencies including the increased deployment of robotics on the manufacturing floor..

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### General and Administrative Expenses

General and administrative expenses increased to \$2,995,000 in 2023 from \$3,720,000 in 2022, a decrease of 19%. We reduced spending during 2022 due to the helium issue.

### Selling and Marketing

Selling expenses from continuing operations decreased to \$131,000 in 2023 from \$136,000 in 2022. Marketing and advertising expense increased to \$531,000 in 2023, from \$402,000 in 2022, an increase of 32% related to enhanced commissions from areas that improved during 2023.

### Other Income or Expense

During 2023, we incurred net interest expense of \$628,000 compared to net interest expense of \$450,000 during 2022. Market rates of interest increased substantially throughout 2022, from 3.25% to 7.5%, and up to 8.5% by July 2023.

### Deemed Dividends on Preferred Stock and Amortization of Beneficial Conversion Feature

In 2020 the Company issued Series A Preferred Stock and Series B Preferred Stock. In connection with these preferred stock issuances, and the related beneficial conversion features, the Company had deemed dividends of \$4.4 million in 2020. During 2021, the Company issued Series C Preferred Stock and Series D Preferred Stock. In connection with all of these preferred stock issuances, and the related beneficial conversion features, the Company had deemed dividends of \$0.6 million during 2022 and \$3.6 million during 2021. Although these deemed dividends do not impact Net loss attributable to Yunhong CTI, Ltd., they do impact Net loss attributable to Yunhong CTI Ltd. Common Shareholders and EPS. As Series A, C and D preferred stock all converted during 2022, only Series B preferred stock dividends remained on an ongoing basis. Series B converted into common during 2023, ending the related dividend accrual.

## **Financial Condition, Liquidity and Capital Resources**

### Cash (Used In) Provided By Operating Activities

During 2023, cash used in operating activities amounted to \$1,117,000, compared to cash generated by operating activities during 2022 of \$2,368,000. Significant changes in working capital items affecting cash flow used in operating activities were:

- Depreciation and amortization of \$279,000 compared to depreciation and amortization for 2022 of \$383,000;
- A decrease in inventories of \$534,000 compared to an increase in inventories of \$449,000 in 2022;
- An increase in accounts receivable of \$2,357,000 compared to a decrease in accounts receivable of \$1,825,000 in 2022;
- A decrease in prepaid expenses and other assets of \$57,000 compared to a decrease in prepaid expenses and other assets of \$836,000 in 2022; and
- A decrease in trade payables of (\$396,000) compared to a decrease in trade payables of (\$819,000) in 2022.

### Cash Provided By (Used In) Investing Activities

During fiscal 2023, cash used in investing activities amounted to (\$221,000) compared to cash used in investing activities during fiscal 2022 of (\$163,000).

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### Cash Provided By (Used In) Financing Activities

During fiscal 2023, cash provided by financing activities amounted to \$2,113,000, compared to cash used in financing activities of (\$2,125,000) during fiscal 2022.

### Going Concern, Liquidity and Financial Condition

The Company's financial statements are prepared using account principles generally accepted in the United States ("U.S. GAAP") applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has a cumulative net loss from inception to December 31, 2023 of approximately \$24 million. The accompanying financial statements for the year ended December 31, 2023 have been prepared assuming the Company will continue as a going concern. The Company's cash resources may be insufficient to meet its anticipated needs during the next twelve months. The Company may require additional financing to fund its future planned operations. The ability of the Company to continue as a going concern is dependent on the Company's execution of its business plans and the ability to raise any needed additional capital at acceptable terms to the Company. While Management plans to mitigate this issue with improved performance now that it has disposed of subsidiaries and their related losses, there can be no guarantee this will be successful. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

On September 30, 2021 (the "Closing Date"), the Company entered into a loan and security agreement (the "Agreement") with Line Financial (the "Lender"), which provides for a senior secured financing consisting of a revolving credit facility (the "Revolving Credit Facility") in an aggregate principal amount of up to \$6 million (the "Maximum Revolver Amount") and term loan facility (the "Term Loan Facility") in an aggregate principal amount of \$731,250 ("Term Loan Amount" and, together with the Revolving Credit Facility, the "Senior Facilities"). The Senior Facilities are secured by substantially all assets of the Company. This Agreement and the Senior Facilities were extended on similar terms during September 2023 with a termination date of September 30, 2025. The Company has been in compliance with the terms of these Senior Facilities since inception in September 2021.

Interest on the Senior Facilities was set at the prime rate published from time to time published in the Wall Street Journal (8% as of March 31, 2023), plus 1.95% per annum, accruing daily and payable monthly. Interest shall be calculated on the basis of a 360-day year for the actual number of days elapsed. The Term Loan Facility shall be repaid by the Company to Lender in 48 equal monthly installments of principal and interest, each in the amount of \$15,000, commencing on November 1, 2021, and

continuing on the first day of each month thereafter until the Term Loan Maturity Date (as defined in the Agreement). Also, the Company paid the Lender collateral monitoring fees of 4.62% of the eligible accounts receivable, inventory, and equipment supporting the Revolving Credit Facility and the Term Loan. In addition, the Company paid the Lender a loan fee of 1.25% of the Maximum Revolver Amount and the Term Loan Amount upon the execution of the Agreement. During August 2022 the terms were modified to reduce the collateral monitoring fee to 2.77% and added a provision that barred the Company from repaying the facility prior to September 2023. This Term Loan was re-established effective with the September 30, 2023 renewal at the original values on September 30, 2021.

The Senior Facilities matured on September 30, 2023 and were extended by agreement between the parties until September 30, 2025. The facility automatically extends for successive periods of one year each, unless the Company or the Lender gives the other party written notice of termination not less than 90 days prior to the end of such term or renewal term, as applicable. If the Senior Facilities are renewed, the Company shall pay the Lender a renewal fee of 1.25% of the Maximum Revolver Amount and the Term Loan Amount upon each renewal on the anniversary of the Closing Date. The Company has the option to prepay the Term Loan Facility (together with all accrued but unpaid interest and a Term Loan Prepayment Fee (as defined the Agreement) in whole, but not in part, upon not less than 60 days prior written notice to the Lender. With this September 30, 2023 renewal, the parties agreed changes in terms including:

- Replace the asset monitoring fee on the Revolving Credit Facility with an increase in interest rate, to Prime plus 7.82% per annum. This change was intended by the parties to be financially neutral while easier to administrate.
- Reduce the interest rate on the Term Loan to Prime plus 1.45% per annum, with lender making a one-time additional advance of \$206,000 to reset the Term Loan to \$731,000.
- Reduce the renewal fee for this transaction to \$50,000 from the formula described above.
- Set the Term Loan asset monitoring fee to 0.385% per month.

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The Senior Facilities require that the Company maintain Tangible Net Worth of at least \$4,000,000 or greater ("Minimum Tangible Net Worth"). Minimum Tangible Net Worth may be adjusted downward by the Lender, from time to time, in its sole and absolute discretion, based on the effect of non-cash charges and other factors on the calculation of Tangible Net Worth. Other debt subordinated to Lender is not considered as a reduction of this calculation. The Company believes it was in compliance with this covenant for all relevant months, including as of December 31, 2023 and 2022, respectively.

The Senior Facilities contain certain affirmative and negative covenants that limit the ability of the Company, among other things and subject to certain significant exceptions, to incur debt or liens, make investments, enter into certain mergers, consolidations, and acquisitions, pay dividends and make other restricted payments, or make capital expenditures exceeding \$1,000,000 in the aggregate in any fiscal year.

As of December 31, 2023, the term loan balance amounted to \$0.7 million, which consisted of the principal and interest payable balance of \$0.7 million and deferred financing costs of approximately \$30,000. The balance of the Revolving Line of Credit as of December 31, 2023 and 2022 amounted to \$4,991,000 and \$2,878,000, respectively. By virtue of the September 30, 2023 extension above, the Company was advanced \$206,000 and the Term Loan was reset to \$731,000. Due to the timing of execution, this change was reflected in the Company's October 2023 financial statements.

As of January 1, 2019, the Company had a note payable to John H. Schwan, former Director and former Chairman of the Board, for \$1.6 million, including accrued interest. This loan accrues interest, is due December 31, 2023, and is subordinate to the Senior Facilities. During January 2019, Mr. Schwan converted \$600,000 of the note into approximately 181,000 shares of our common stock at the then market rate of \$3.32 per share. As a result of the conversion, the loan balance decreased to \$1 million. The loan and interest payable to Mr. Schwan amounted to \$1.3 million as of December 31, 2023. Based on agreement between the parties, the Company paid \$0.5 million on January 2, 2024, an additional \$0.5 million on January 16, 2024, and the remainder agreed to later during 2024.

As of December 31, 2022, the Company had a note payable to Alex Feng for \$0.2 million. This loan accrued interest at a rate of 3% and is subordinated to the Senior Facilities. In accordance with the subordination agreement, payments may be made beginning April 2022 subject to availability under the revolving line of credit, and the maturity date for this loan was March 2024. Along with certain deposits received during 2022, this note was converted into common stock during February 2023.

Through September 30, 2022, the Company has received approximately \$160,000 in Employee Retention Tax Credits ("ERTC") from the United States Government related to claims that were filed during 2021. \$123,000 was listed as General and Administrative, while the remainder is in Other Income. During October 2022 the Company executed a financing transaction wherein the remaining open claims for \$1.2 million in ERTC was sold to a third party for \$0.9 million. Once the \$1.2 million was ultimately paid, those funds were immediately transferred to the third party. To the extent any of the \$1.2 million in ERTC claims were determined by the United States Government not to be payable, a prorated portion of the \$0.9 million would have been returned to that investor. The \$0.9 million was listed as a deferred income current liability as of December 31, 2022, which was recognized upon acceptance and processing of the amended returns by the United States Government. During 2023, all claims had been processed and refunds issued, which were forwarded to the third party above. As a result, approximately \$0.9 million of the deferred income liability was recognized during 2023.

#### **Seasonality**

In the foil balloon product line, sales have historically been seasonal. Approximately half of these sales are considered "everyday" in nature while the other half tend to be event driven (certain holidays, graduation season, and other events). The COVID-19 pandemic changed the shape of graduation season for 2020, resulting in a lower demand for balloons during the second quarter 2020, but then a surge of demand related to at-home parties and events. This increase in demand continued in 2021. As 2022 returned to a more standardized calendar of events relative to COVID-19, the sales activities returned to a more traditional shape (excluding the impact of helium pricing).

Since 2022, we have seen an enhanced impact of seasonality, with increased order flow related to events, and lower order flow related to everyday items.

#### **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.

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**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 once it has (i) identified the contract(s) with a customer, (ii) identified the performance obligations in the contract, (iii) determined the transaction price, (iv) allocated the transaction price to the performance obligations in the contract, and (v) recognized revenue as the company satisfies a performance obligation. 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.

The Company adopted Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*. Our revenue arrangements generally consist of a single performance obligation to transfer promised goods at a fixed price.

Net sales include revenues from sales of products and shipping and handling charges, net of estimates for product returns. Revenue is measured at the amount of consideration the Company expects to receive in exchange for the transferred products. Revenue is recognized at the point in time when we transfer the promised products to the customer and the customer obtains control over the products. The Company recognizes revenue for shipping and handling charges at the time the goods are shipped to the customer, and the costs of outbound freight are included in cost of sales, as we have elected the practical expedient included in ASC 606.

The Company provides for product returns based on historical return rates. While we incur costs for sales commissions to our sales employees and outside agents, we recognize commission costs concurrent with the related revenue, as the amortization period is less than one year and we have elected the practical expedient included in ASC 606. We do not incur incremental costs to obtain contracts with our customers. Our product warranties are assurance-type warranties, which promise the customer that the products are as specified in the contract. Therefore, the product warranties are not a separate performance obligation and are accounted for as described herein.

Sales taxes assessed by governmental authorities are accounted for on a net basis and are excluded from net sales.

**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 net realizable value. 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, 2023, the Company had established a reserve for obsolescence, marketability or excess quantities with respect to inventory in the aggregate amount of \$155,000. As of December 31, 2022, the amount of the reserve was \$155,000. In addition, on a periodic basis, the Company disposes of inventory deemed to be obsolete or unsaleable and, at such time, charges reserve 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 generally accepted accounting principles in the United States of America ("U.S. GAAP") U.S. GAAP, under which goodwill is evaluated at least annually for impairment.

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**Foreign Currency Translation.** All balance sheet accounts are translated using the exchange rates in effect at the balance sheet date. Non US Dollar transactions are negligible.

**Stock-Based Compensation.** We follow U.S. GAAP 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 U.S. GAAP, we incurred no employee stock-based compensation cost for the year ended December 31, 2023. At December 31, 2023, we had approximately \$3,000 unrecognized compensation cost relating to stock options, as well as performance based awards for which the ultimate vesting is unknown.

**Income Taxes and Deferred Tax Assets.** Income taxes are accounted for as prescribed in U.S. GAAP. Under the asset and liability method of U.S. GAAP, 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.

Prior to September 30, 2021, we had been out of compliance with the terms of our credit facility and operating under a forbearance agreement, and had related going concern disclosure. We therefore established a valuation allowance reserve for substantially all of our deferred tax assets. As of December 31, 2023 and 2022, the amount of the net deferred tax asset was none, as we continued to record a valuation allowance against the gross value of the deferred tax asset. 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. This value was reduced, in large part, due to changes in US tax law effective 2018 which will impact the value of future deductions.

**Fair Value Measurements.** U.S. GAAP 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. U.S. GAAP 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. U.S. GAAP 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 U.S. GAAP 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).

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**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**

**(a) Evaluation of Disclosure Controls and Procedures**

We maintain disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act"), that are designed to ensure that information required to be disclosed in the reports filed or submitted under the Exchange Act, is recorded, processed, summarized, and reported within the time periods specified by the Commission's rules and forms. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act are properly recorded, processed, summarized and reported within the time periods required by the Commission's rules and forms.

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), of the effectiveness of the design and operation of these disclosure controls and procedures, as such term is defined in Exchange Act Rule 13a-15(e), as of December 31, 2023. Based on this evaluation, the Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer) concluded that our disclosure controls and procedures were not effective as of December 31, 2023, the end of the period covered by this Annual Report on Form 10-K, due to the material weaknesses described below.

**(b) Management's Report on Internal Control over Financial Reporting**

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act.

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness of internal control over financial reporting to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has assessed the effectiveness of our internal control over financial reporting as of December 31, 2023. In making our assessment of the effectiveness of internal control over financial reporting, management used the criteria set forth in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”).

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A material weakness is a control deficiency, or combination of control deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the registrant’s annual or interim financial statements will not be prevented or detected on a timely basis. As a result of our evaluation of our internal control over financial reporting, management identified the following material weaknesses in our internal control over financial reporting:

- We lacked a sufficient number of accounting professionals with the necessary knowledge, experience and training to adequately account for significant, unusual transactions that resulted in misapplications of GAAP, particularly with regard to the timing of recognition of certain non-cash charges, and
- We are overly dependent upon our Acting Chief Financial Officer, who at present is our Chief Executive Officer, within an environment that is highly manual in nature

Management concluded that there is a reasonable possibility that a material misstatement could occur in the consolidated financial statements if the control deficiencies were not remediated. Accordingly, management concluded that the matters described above are material weaknesses in the Company’s internal control over financial reporting and that the Company did not maintain effective internal control over financial reporting as of December 31, 2023.

**Plan for Remediation of Material Weakness**

Management has enhanced its available resource base and adjusted its processes with respect to the areas listed above. Additional procedures are in the process of being established and will be evaluated for effectiveness in the future. Two individuals were engaged to perform the duties of controller during 2022, but neither remains with the Company as of December 31, 2023. Further, the Company views the combination of Acting Chief Financial Officer duties with the Chief Executive Officer as temporary in nature.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management’s report was not subject to attestation by its registered public accounting firm pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, which permits the Company to provide only management’s report in this annual report.

*(c) Changes in Internal Control over Financial Reporting*

There were no changes in our internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Item No. 9B – Other Information**

None

**PART III**

**Item No. 10 – Directors, Executive Officers and Corporate Governance of the Registrant**

The members of our Board of Directors (the “Board”), and our executive officers, together with their respective ages and certain biographical information are set forth below. Directors hold office until the next annual meeting of our shareholders and until their successors have been duly elected and qualified. Our executive officers are elected by and serve at the designation and appointment of the Board.

The following is a brief account of the business experience of each of our directors and executive officers during the past five years or more.

Name	Age	Position
Yubao Li	42	Chairman of the Board of Directors
Frank J. Cesario	54	Chief Executive Officer and Director; Acting Chief Financial Officer
Jana M. Schwan	47	Chief Operating Officer
Douglas Bosley	57	Director
Gerald (J.D.) Roberts, Jr.	65	Director
Philip Wong	45	Director

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*Frank Cesario*, age 54, Chief Executive Officer and Director; Corporate Secretary; Acting Chief Financial Officer. Mr. Cesario first joined the Company in November 2017 as Chief Financial Officer. In December 2019 he was named President and Chief Executive Officer, and Director. He resigned as Chief Financial Officer in June 2020 and as President and Chief Executive Officer, and Director, in September 2020. During March 2021, he rejoined the Board as a Director. During January 2022 he was rehired by the Company as Chief Executive Officer and he retained his role as a Director. Upon the resignation of the Company’s then-Chief Financial Officer during January 2022, Mr. Cesario also became the Acting Chief Financial Officer. Mr. Cesario brings 20 years of CFO experience at manufacturing entities. Prior to joining the Company, Mr. Cesario served in similar roles with Nanophase Technologies Corporation and ISCO International, Inc., then publicly traded global suppliers of advanced materials and telecommunications equipment, respectively, as well as Turf Ventures LLC, a privately held chemicals distributor. From September 2020 until January 2022, Mr. Cesario served as Chief Financial Officer of Radiac Abrasives, Inc., a privately held manufacturer. He began his career with KPMG Peat Marwick and then served in progressively responsible finance positions within Material Sciences Corporation and Outokumpu Copper, Inc. Mr. Cesario holds an MBA (Finance) from DePaul University and a B.S. (Accountancy) from the University of Illinois and is a registered CPA in the State of Illinois.

*Yubao Li*, age 42, Chairman of the Board of Directors. Mr. Li has served as a Director of the Company since January 13, 2020 and was elected as Chairman of the Board on June 1, 2020. Mr. Li served as the Company’s Chief Executive Officer from September 2020 until January 2022. Mr. Li has been serving as the Chairman of Yunhong International since its inception in January 2019 and served as its Chief Executive Officer from January 2019 to September 2019. Mr. Li has been serving as the president of Hubei Academy of Science and Technology Service Station since July 2018. Since June 2018, Mr. Li has been serving as the Director of Photoproteins Research Centre at China’s Academy of Management Science, a research institute situated in Beijing where he supports innovation by defining the research focus of the group. Mr. Li also serves as a director and/or officer of several other entities, including as the Executive Director and General Manager of Hubei Teruiga Energy Co., Ltd, a new energy technology company, since November 2017, the Executive Director of Hubei Yuntong Energy Co., Ltd., a solar power and agriculture company, since April 2016, the Executive Director and General Manager of Hubei Yun Hong photovoltaic Co., Ltd., a solar power and agriculture company, since May 2016, the President of Hubei Yunhong Deren Tourism Co., Ltd., a tourism project developer, since May 2016 and the President of Yunhong Group Holdings Co., Ltd., a company engaged in the business of solar power construction and solar photovoltaic power generation, since 2013. In addition, in 2013, Mr. Li founded China Hubei Yunhong Energy Group Co., Ltd., a Chinese nutrition company operating in China and abroad, and he currently serves as the Chairman of its board of directors.

*Douglas Bosley*, age 57, Director. Mr. Bosley has served as a director of the Company since January 2022 and is a founding partner of Witan Law Group and a member of the firm’s Corporate Transactional and Securities practice. Mr. Bosley represents businesses and entrepreneurs at all stages of growth from inception to exit. Mr. Bosley’s practice focuses on three general areas of financing transactions, mergers and acquisitions and general corporate matters. Mr. Bosley’s financing experience includes representing venture capital firms and venture-backed companies, mezzanine debt transactions, and a wide range of other types of financing and securities transactions, as well as general corporate matters including formation and start-ups; equity compensation; contracts such as licensing, joint ventures, representative agreements, and development and service level agreements; and corporate governance matters. Before founding Witan Law, Mr. Bosley was a partner at Bosley Till Neue



& Talerico (BTNT), a law firm, where he headed the transactional and securities practices. Prior to BTNT, Mr. Bosley operated Bosley Business Law, which he founded after more than a decade of sophisticated corporate and securities transactional experience at some of the world's largest and most reputable corporate law firms. Mr. Bosley also served as general counsel of a Sacramento-based venture capital and professional services firm. He is a frequent speaker on legal issues related to start-ups, mergers and acquisitions and venture capital transactions. Mr. Bosley is a graduate of the Duke University School of Law, graduating with high honors and earning the Order of the Coif. He received his B.A. in Economics from California State University (Sacramento).

*Gerald (J.D.) Roberts, Jr.*, age 65, Director. Mr. Roberts is Vice President of Strategy and Business Development at a Fortune 50 Corporation, having served in that capacity since 2018, and has served as a director of the Company since January 2022. In the previous 20 years, he held several senior roles at Aerojet Rocketdyne Holdings, Inc. and GenCorp/Aerojet. His career began in the aerospace and electronics industries in the United States and Australia, where he worked with companies including E-Systems, McDonnell Douglas, Northrop-Grumman, Gulfstream, Learjet and Hawker de Havilland. Mr. Roberts combined his credentials in engineering, finance and operations and his significant experience in strategic planning, organizational restructuring, and mergers, acquisitions, and divestitures to build value in international business opportunities. He received his MBA (Finance) from the University of California, Davis, and his B.S. in Mechanical Engineering from Virginia Tech.

*Philip Wong*, age 45, Director. Mr. Wong has served as a director of the Company since January 2022 and is CEO of Shark AI Capital Corporation, an innovative business lending firm which he co-founded in 2020. Previously, he served as Chief Investment Officer of American Credit, Inc., as a Commercial Loan Officer at Applepie Capital, Inc., as Vice President / Senior Relationship Manager at Bank of the West / BNP Paribas, and as First Vice President / Senior Relationship Manager at Preferred Bank, among other roles in banking and business credit. Mr. Wong has completed certifications in agile software development, software products management, healthcare analytics, and product management and marketing. He received his B.A. in Asian Studies from San Francisco State University.

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**Executive Officers Other Than Nominees**

*Jana Schwan*. Ms. Schwan has been employed by the Company in progressively more responsible roles in operational, purchasing, and product development capacities since September 2002, and currently leads its Sales, Marketing and Business Development activities in addition to all Operations of the Company. Ms. Schwan was named Vice President of Operations in 2017 and Chief Operating Officer in 2020.

Jana Schwan is the daughter of John Schwan, who prior to his retirement from the Company served in several capacities, including as Chairman of the Board of Directors.

Except as disclosed in this Item 10 or Item 13 (Certain Relationships and Related Transactions, and Director Independence), there are no arrangements or understandings with major shareholders, customers, suppliers or others pursuant to which any of our directors or members of senior management were selected as such. In addition, there are no family relationships among our executive officers and directors.

Our future success depends, in significant part, on the continued service of certain key executive officers, managers, and others in various aspects of our business. We may not be able to find an appropriate replacement for any of our key personnel. Any loss or interruption of our key personnel's service to the Company could adversely affect our ability to implement our business plan.

**Corporate Governance**

The business and affairs of the Company are managed under the direction of the Board of Directors in accordance with the Illinois Business Corporation Act and the Articles of Incorporation and By-laws of the Company, as amended. Members of the Board of Directors are kept informed of the Company's business through discussions with the Chairman of the Board of Directors, the Chief Executive Officer, the President and other officers, by reviewing materials provided to them and by participating in meetings of the Board of Directors and its committees.

As of January 2022, the Board of Directors had five members. The Board has determined that each of Douglas Bosley, Gerald (J.D.) Roberts, Jr., and Philip Wong, presently directors of the Company, are independent based upon the application of the rules and standards of the NASDAQ Stock Market.

The Board of Directors met three times during 2023. No Director was absent for more than one meeting during 2023.

**Board Leadership Structure**

Yubao Li is Chairman of the Board of Directors, Frank Cesario is Chief Executive Officer and Jana Schwan is Chief Operating Officer. Mr. Cesario and Ms. Schwan are responsible for senior management functions. Mr. Cesario reports into the Board of Directors. The Board of Directors believes that this combination and allocation of roles provides the most efficient and effective leadership model for the Company, providing perspective and direction with regard to business strategies and plans to both the Board and management. The Company has no bylaw or policy in place that mandates that an officer serve as Chairman of the Board. The Board of Directors periodically evaluates its leadership structure.

Mr. Wong has been designated as the lead independent director. Mr. Wong is responsible for (i) communicating regularly with the Chief Executive Officer and other officers of the Company on behalf of the Board of Directors, and particularly the independent members of the Board of Directors, and (ii) calling separate meetings of the independent directors of the Company. At any such meetings, only independent directors are present and the independent directors are free to discuss any aspect of the Company's business and risk management without the influence of interested directors or management.

All members of the Company's Audit, Compensation and Nominating and Governance Committees have been determined to be independent based on application of the rules and standards of the NASDAQ Stock Market.

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**Board Role in Risk Oversight**

The Board of Directors plays an active role, as a whole and at the committee level, in overseeing management of the Company's risks. The Board regularly reviews information regarding our credit, liquidity and operations, as well as the risks associated with each. The Audit Committee oversees management of financial risks through regular meetings with the Company's independent registered public accounting firm and the Company's Chief Executive Officer, President and Chief Financial Officer. The Company's Compensation Committee evaluates and addresses risks relating to executive compensation, our incentive compensation plans and other compensatory arrangements. The Nominating and Governance Committee manages risks associated with the independence of the Board of Directors and potential conflicts of interest. While each committee is responsible for evaluating certain risks and overseeing the management of those risks, the entire Board of Directors is regularly informed through management and committee reports to the full Board about these and other operational risks.

**Committees of the Board of Directors**

The Board of Directors has standing Audit, Compensation and Nominating and Governance Committees.

**Audit Committee**

Since 2000, the Company has had a standing Audit Committee, which is presently composed of Mr. Wong (Chairman), Mr. Bosley and Mr. Roberts. Each of the members of the Audit Committee is independent based on the application of the rules and standards of the NASDAQ Stock Market and Rule 10a-3(b) under the Securities Exchange Act of 1934. Mr. Wong has been designated as, and is, the Company's "Audit Committee Financial Expert" in accordance with Item 407(d)(5) of Regulation S-K and meets the requirements for an audit committee expert as set forth in that item. The Audit Committee has primary responsibility meetings with management and independent auditors to discuss the Company's financial statements. The Company's Board of Directors has adopted a written charter, as amended, for the Company's Audit Committee, a copy of which has been posted and can be viewed on the Company's Internet website at <http://www.ctiindustries.com> under the section entitled "Investor Relations." In addition, the Audit Committee has adopted a complaint monitoring procedure to enable confidential and anonymous reporting to the Audit Committee of concerns regarding, among other things, questionable accounting or auditing matters. The Audit Committee has primary responsibility for:

Appointing, compensating, and retaining our registered independent public accounting firm;

Overseeing the work performed by any outside accounting firm;

Assisting the Board of Directors in fulfilling its responsibility by reviewing the financial reports provided by us to the SEC, our shareholders, or to the general public, as well as the Company's internal financial and accounting controls; and

Recommending, establishing, and monitoring procedures designed to improve the quality and reliability of the disclosure of our financial condition and results of operations.

The Audit Committee met once during 2023.

#### **Compensation Committee**

The Compensation Committee is composed of Mr. Roberts (Chairman), Mr. Bosley and Mr. Wong. The Board has determined that each of the members of the Compensation Committee is independent as defined in the listing standards for the NASDAQ Stock Market. The Compensation Committee reviews and acts on the Company's executive compensation and employee benefit and retirement plans, including their establishment, modification and administration. It also recommends to the Board of Directors the compensation of the Chief Executive Officer and certain other executive officers. The Compensation Committee has a charter which has been posted and can be viewed on the Company's Internet website at <http://www.ctiindustries.com> under the section entitled "Investor Relations." The Compensation Committee met twice in 2023.

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#### **Nominating and Governance Committee**

In 2005, the Company established a Nominating and Governance Committee. The Nominating and Governance Committee consists of Mr. Bosley (Chairman), Mr. Roberts and Mr. Wong. The Nominating and Governance Committee does not have a charter. The Board of Directors has determined that each of the members of the Nominating and Governance Committee is independent as defined in the listing standards for the NASDAQ Stock Market.

The Nominating and Governance Committee has not adopted a formal policy with regard to consideration of director candidates recommended by security holders. The Company believes that continuing service of qualified incumbent members of the Board of Directors promotes stability and continuity at the Board level, contributes to the Board's ability to work as a collective body and provides the benefit of familiarity and insight into the Company's affairs. Accordingly, the process of the Nominating and Governance Committee for identifying nominees reflects the Company's practice of re-nominating incumbent directors who continue to satisfy the criteria for membership on the Board. For vacancies that are anticipated on the Board of Directors, the Nominating and Governance Committee intends to seek out and evaluate potential candidates from a variety of sources that may include recommendations by security holders, members of management, the Board of Directors, consultants and others. The minimum qualifications for potential candidates for the Board of Directors include demonstrated business experience, decision-making abilities, personal integrity and a good reputation.

The Board's statement regarding diversity is below. This has become a larger factor in the Nominating Committee's evaluation of potential candidates. While there is no formal policy for considering diversity when nominating a potential director, it is a consideration that is evaluated along with other qualifications of potential candidates, and broadly a goal of the Company. In light of the foregoing, it is believed that a formal, written policy and procedure with regard to consideration of director candidates recommended by security holders is not necessary in order for the Nominating and Governance Committee to perform its duties.

The Nominating Committee did not meet in 2023. All of the independent directors of the Board of Directors participated in the nominating process and, in separate session, voted in favor of recommending to the Board of Directors the nomination of each of the nominees for election as directors.

#### **Board Diversity**

The current Board has five directors, all male, two of whom are of Asian background and three Caucasian. The Board recently had two female directors who retired from the Board during January 2022. With only five directors, the Company has limited opportunity to maintain the breadth of diversity it seeks. The Company has made diversity a goal, particularly as it moved from a 100% Caucasian, 100% male Board of Directors at the beginning of 2020 to three Asian directors, two of whom female, later that year. The Company plans to continue to strive for broad representation on its Board of Directors.

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#### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's officers and directors, and persons who own more than ten percent of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission and with the NASDAQ Stock Market. Officers, directors and greater than ten-percent shareholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on a review of such forms furnished to the Company, the Company believes that during calendar year 2023, all Section 16(a) filing requirements applicable to the officers, directors and ten-percent beneficial shareholders were satisfied.

#### **Code of Ethics**

The Company has adopted a code of ethics that applies to its senior executive and financial officers. The Company's Code of Ethics seeks to promote (i) honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships, (ii) full, fair, accurate, timely and understandable disclosure of information to the Commission, (iii) compliance with applicable governmental laws, rules and regulations, (iv) prompt internal reporting of violations of the Code to pre-designated persons, and (v) accountability for adherence to the Code. A copy of the Code of Ethics has been posted and may be viewed on the Company's Internet website at <http://www.ctiindustries.com> under the heading "Investor Relations." The Company will provide to any person without charge upon request a copy of the Code of Ethics. You may make such request by sending a written request to the Corporate Secretary at 22160 N. Pepper Road, Lake Barrington, Illinois 60010 and providing a return address.

#### **Executive Compensation Recovery ("Clawback") Policy**

During 2023, the Company adopted an Executive Compensation Recovery ("Clawback") Policy, wherein certain performance-based executive compensation may be recovered by the Company if subsequent restatement or other adjustment negatively impacts the awarding of such incentive compensation during a three year lookback period and under certain conditions as further defined in the policy.

#### **Item No. 11 – Executive Compensation**

The following table sets forth summary compensation information with respect to the Principal Executive Officer and each of the two other most highly compensated executive officers. These individuals, including the Principal Executive Officer, are collectively referred to in this proxy statement as the Named Executive Officers.

Name/Title	Year	Salary	Option Awards (1)	Non-Equity Incentive Plan Compensation (2)	All other compensation (3)	Total
Frank Cesario	2023	\$ 250,000	\$ 39,400	\$ -	\$ -	\$ 289,400
Chief Executive Officer(4)	2022	\$ 235,577	\$ 102,500	\$ -	\$ -	\$ 338,077
Jana M. Schwan	2023	\$ 225,166	\$ 14,000	\$ -	\$ 9,500	\$ 248,666
Chief Operating Officer (5)	2022	\$ 201,910	\$ 43,000	\$ -	\$ 9,500	\$ 254,410

## SUMMARY COMPENSATION TABLE

- (1) Reflects the compensation expense recognized in 2023 and 2022 for stock awards under ASC Topic 718 as reported in the Company's audited financial statements.
- (2) Amounts determined under the Company's incentive compensation program.
- (3) Amounts for include matching 401(k) contributions and insurance premiums
- (4) Mr. Cesario rejoined the Company in January 2022 as Chief Executive Officer and Acting Chief Financial Officer.
- (5) Ms. Schwan became Chief Operating Officer in 2020.

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### **Narrative Disclosure for Summary Compensation Table**

#### **Employment Agreements with Our Named Executive Officers**

No employment agreements existed until January 2022, when Mr. Cesario entered into an employment agreement with the Company. That agreement includes a base salary of \$250,000 per year. Mr. Cesario received an inducement grant of stock in the amount of 250,000 shares, 25,000 of which vested immediately, with the remaining shares scheduled to vest based upon the achievement of certain goals and objectives as set forth in the agreement. Mr. Cesario is eligible to receive a performance-based bonus of \$300,000. In the event that Mr. Cesario is terminated without cause, he is eligible to receive twelve (12) months of salary in accordance with the agreement.

#### **Information Relating to Cash Incentives**

The Board of Directors previously had adopted an Incentive Compensation Plan providing for annual incentive compensation to be paid to executive and managerial employees of the Company. Under the Plan, designated Named Executive Officers and several other executive officers and managers may receive incentive compensation payments, determined on a quarterly and annual basis, based upon the income of the Company before provision for income tax or for incentive compensation if the net income exceeds a threshold amount of profit for any quarter of \$100,000 and, for the year, of \$250,000. The benefits under the Plan are divided into two Pools of compensation. Pool I (representing the largest pool of incentive compensation) covers senior executive officers and managers who participate in the pool of incentive compensation based upon a percentage allocation recommended by the Compensation Committee and determined by the Board of Directors each year. Pool II covers other executives and managers who are selected to participate in proportions determined by management. The Compensation Committee recommends the amount of the incentive compensation awards which, in the aggregate, may not exceed sixteen percent of the net income of the Company (before provision for income tax or incentive compensation under the Plan). Further, the amount of incentive compensation to any participant may not exceed the annual base compensation of the participant. The Compensation Committee believed such incentive compensation motivates participants to achieve strong profitability which is viewed as the most significant element of corporate performance, provides rewards for strong corporate performance and aligns the incentive with the interests of the shareholders. Incentive compensation participation levels are generally determined during the first quarter of each fiscal year.

In determining the executives who participate in the incentive compensation awards in Pool I each year, and the relative amount of the award to each participant, the Compensation Committee considers and takes into account (i) the position of the executive, (ii) the level of responsibility and authority of the executive, (iii) the performance of the executive, and (iv) the extent to which the executive is in a position to affect the financial results and profitability of the Company. The current Board of Directors is considering a revised incentive plan and terminating the plan described in this section. No replacement plan has yet been adopted, but the Board of Directors and Management have both indicated their desire to change this program.

#### **Long-Term Equity Incentives**

The Board of Directors adopted and approved a new incentive option plan in April 2018 which was submitted to, and approved by, our shareholders at the annual meeting of shareholders on June 8, 2018 (the "Plan"). This Plan updated and replaced the prior Stock Incentive Plan from 2009. Under the Plan, the Compensation Committee of the Board of Directors is authorized to issue incentive options, non-statutory options, restricted stock awards and stock grants to officers, directors, management personnel and consultants of the Company. The Board of Directors determined that no further options would be granted under the 2009 Incentive Stock Plan.

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Stock and option grants under the Plan will be determined from time to time by the Compensation Committee in consultation with management. The actual grant for each executive is determined by taking into consideration (i) individual performance, (ii) corporate performance and (iii) prior grants to, or stock ownership of the Company by, the executive or director. Generally, stock options are granted with an exercise price equal to or greater than the closing price of the Company's common stock on the NASDAQ Stock Market on the date of the grant.

During 2023, each of the three independent Directors was granted 5,000 shares of restricted stock that vest over 12 months.

During 2022, each of the three independent Directors was granted 5,000 shares of restricted stock that vest over 12 months.

Effective January 2022, and in accordance with the Employment Agreement of Chief Executive Officer Frank Cesario, a grant of restricted stock was made in the amount of 250,000 shares. 25,000 shares vested immediately, while the remaining 225,000 are subject to performance conditions as further detailed in the share grant. Specifically, the restrictions on the remaining 225,000 shares will lapse based on satisfaction of the following performance goals and objectives and continued employment through the date of meeting such targets:

- The restrictions on 56,250 shares of the award will lapse and the award will vest when the Company's trailing-twelve-month EBITDA equals or exceeds \$1 million at any time on or after January 1, 2022.
- The restrictions on 56,250 shares of the award will lapse and the award will vest in the event the Company's common shares trade at or above \$5/share for ten or more consecutive trading days.
- The restrictions on 56,250 shares of the award will lapse and the award will vest when the Company's operating cash flow, calculated cumulatively from the date of employment, equals or exceeds \$1.5 million. The Compensation Committee determined this condition was satisfied during February 2023.
- The restrictions on 56,250 shares of the award will lapse and the award will vest in the event the Company is able to refinance its current lender with a traditional lender on terms and conditions customary for such financing. On August 23, 2022, the Compensation Committee determined this condition had been satisfied with an amended agreement with the Company's lender.

During 2022, the Compensation Committee awarded the Company's Chief Operating Officer a grant of 100,000 shares of restricted stock. 20,000 of those shares vest over a 12 month period while the remaining shares vest 20,000 each based on the performance conditions above.

The Compensation Committee (as defined in the Plan) shall be responsible for determining when the conditions above have been satisfied. The Company records compensation expense with each vesting, and records a likelihood of vesting weighted analysis to the extent it has visibility to do so. Without such visibility, it considers such probability as de minimis until additional information is available.

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#### **Retirement Benefits**

The Company maintains a 401(k) employee savings plan in which all salaried employees are eligible to participate. The plan is a tax qualified retirement plan.

Under the 401(k) Plan, employees may contribute up to 15% of their eligible compensation to the Plan and the Company will contribute a matching amount to the Plan each year. Participating employees may direct the investment of individual and company contributions into one or more of the investment options offered by the Plan. The Company has the ability to make matching contributions under the Plan, but none were made during 2023 or 2022.

## OUTSTANDING EQUITY AWARDS

Name	Equity Awards		
	Number of Securities Underlying Unvested Performance Grants		Exercise Price (\$)
	Exercisable	Unexercisable	
Frank J. Cesario	-	112,500	\$ -
Jana M. Schwan	-	40,000	\$ -

#### EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth the common stock of the Company authorized for issuance under the Company's equity compensation plans as of December 31, 2023.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans by security holders	182,500	\$ -	182,500
Equity compensation plans not approved by security holders	-	-	-
<b>Total</b>	<b>182,500</b>	<b>\$ -</b>	<b>182,500</b>

#### Payments Upon Termination or Change of Control

The employment agreement with Frank Cesario, effective January 2022, includes payment of twelve months salary upon termination except for cause as is defined by that agreement.

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#### Director Compensation

The following table sets forth the compensation of directors of the Company during the year ended December 31, 2023:

Name	DIRECTOR COMPENSATION					
	Director's Fees	Stock Awards (1)	All other compensation	Total		
Yubao Li	\$ -	\$ -	\$ -	\$ -		
Frank Cesario	\$ -	\$ -	\$ -	\$ -		
Douglas Bosley	\$ 12,000	\$ 4,750	\$ -	\$ 16,750		
JD Roberts	\$ 12,000	\$ 4,750	\$ -	\$ 16,750		
Philip Wong	\$ 12,000	\$ 4,750	\$ -	\$ 16,750		

(1) Reflects the compensation expense recognized in 2022 for stock awards under ASC Topic 718 as reported in the Company's audited financial statements.

#### Narrative Description of Director Compensation

Payments to non-employee directors were suspended during 2019, and restarted as of January 2022.

#### Agreements Between Third Parties and Directors

There are no agreements or arrangements by which any directors or nominees are to receive compensation or other payments from third parties in return for serving on the Board of Directors.

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

The Board of Directors knows of no other matters to be presented for shareholder action at the Annual Meeting. On matters which may be raised at the Annual Meeting that are not covered by this Proxy Statement, the persons named in the proxy will have full discretionary authority to vote.

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#### **BENEFICIAL OWNERSHIP OF SHARES BY MANAGEMENT AND SIGNIFICANT SHAREHOLDERS**

The following table provides information concerning the beneficial ownership of the Company's Common Stock by each director and nominee for director, certain executive officers, and by all directors and officers of the Company as a group as of December 31, 2023. In addition, the table provides information concerning the current beneficial owners, if any, known to the Company to hold more than 5 percent of the outstanding Common Stock of the Company.

The amounts and percentage of stock beneficially owned are reported based on regulations of the Securities and Exchange Commission ("SEC") governing the determination of beneficial ownership of securities. Under the rules of the SEC, a person is deemed to be a "beneficial owner" of a security if that person has or shares "voting power," which includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities of which that person has a right to acquire beneficial ownership within 60 days after December 31, 2023. Under these rules, more than one person may be deemed a beneficial owner of the same securities and a person may be deemed a beneficial owner of securities in which he has no economic interest. The percentage of Common Stock beneficially owned is based on 20,771,937 shares of Common Stock outstanding as of December 31, 2023.

Name and Address of Beneficial Owner	Shares of Common Stock	Shares of Preferred Stock	Percent of Common Stock
	Beneficially Owned	Beneficially Owned	
Yubao Li (Chairman of the Board of Directors)/Yunhong	7,100,000(1)	-	35%
Mr. Shuai Wang	1,888,078	-	9%
Icy Mellon LLC	1,826,399	-	9%
Mitzners Consulting	1,564,691	-	8%
Frank Cesario (Chief Executive Officer, Director, Acting Chief Financial Officer)	139,500	-	*
Jana Schwan (Chief Operating Officer)	65,725	-	*
Douglas Bosley, Director	10,000	-	*
Gerald JD Roberts, Jr., Director	10,000	-	*

Philip Wong, Director	10,000	-	*
All Current Directors and Executive Officers as a group	7,335,225	-	36%

(1) These shares are held by LF Investments Pte. Ltd., a Singapore private limited company controlled by Mr. Li.

\*Less than one percent

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### Item No. 13 – Certain Relationships and Related Transactions

As of December 2017, Mr. John H. Schwan was owed a total of \$1.1 million, with additional accrued interest of \$0.4 million, by the Company. As part of the December 2017 financing with PNC Bank, Mr. Schwan executed a subordination agreement related to these amounts due him, as evidenced by a related note representing the amount owed to Mr. Schwan. During January 2019, Mr. Schwan and the Company agreed to an exchange of \$0.6 million of his debt for approximately 181,000 shares of CTI common stock at the then market rate of \$3.32 per share. As of December 31, 2023, the balance of Mr. Schwan's note was approximately \$1.3 million, including accrued interest. Mr. Schwan is the father of Jana Schwan. Per agreement between the parties, this note was repaid in three installments: \$0.5 million on January 2, 2024, another \$0.5 million on January 16, 2024, and the remaining \$0.3 million during March 2024.

Relationships and transactions in which the Company and its directors and executive officers or their immediate family members are participants or have conflicts of interest are reviewed and approved by the Audit Committee. While the Audit Committee has not adopted a written policy for the review and approval of related party transactions, in determining whether to approve or ratify any such transaction, the Audit Committee considers, in addition to such other factors it may deem appropriate in the circumstances, whether (i) the transaction is fair and reasonable to the Company, (ii) under all of the circumstances, the transaction is in, or not inconsistent with, the Company's best interests, and (iii) the transaction will be on terms no less favorable to the Company than could have been obtained in an arms' length transaction with an unrelated third party. The Audit Committee, in its discretion, may request information from any party to facilitate its consideration of matter. The Audit Committee does not allow a director to participate in any review, approval or ratification of any transaction if he or she, or his or her immediate family member, has a direct or indirect material interest in the transaction.

### Item No. 14 – Principal Accountant Fees and Services

The following table sets forth the amount of fees billed by our independent registered public accounting firm, for professional services during the year. A combination of LJ Soldering Associates LP and BF Borgers CPA, PC for the year ended December 31, 2022, and BF Borgers CPA, PC for the year ended December 31, 2023:

	Dec. 31, 2023	Dec. 31, 2022
Audit Fees (1)	\$ 357,500	\$ 330,100
Other Audit Related Fees (2)	-	-
All Other Fees (3)	-	6,000
Total Fees	\$ 357,500	\$ 336,100

(1) Includes the annual financial statement audit and limited quarterly reviews and expenses.

(2) Includes fees and expenses for other audit related activity.

(3) May represent tax services and other consulting services.

All audits, tax and other services to be performed for the Company must be pre-approved by the Audit Committee. The Audit Committee reviews the description of services and an estimate of the anticipated costs to perform those services. Services not previously approved cannot commence until such approval has been granted. Pre-approval is granted usually at regularly scheduled meetings. If unanticipated items arise between meetings of the Audit Committee, the Audit Committee has delegated approval authority to the Chairman of the Audit Committee, in which case the Chairman communicates such pre-approvals to the full Committee at its next meeting.

The Audit Committee of the Board of Directors reviews all relationships with its independent auditors, including the provision of non-audit services, which may relate to the independent registered public accounting firm's independence.

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### PART IV

### Item No. 15 – Exhibits and Financial Statement Schedules

(a)(1) The following documents are filed under pages F-1 through F-20 and are included as part of this Form 10-K:

<a href="#">REPORTS OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</a>	F-1
<a href="#">CONSOLIDATED BALANCE SHEETS</a>	F-2
<a href="#">CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)</a>	F-3
<a href="#">CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY</a>	F-4
<a href="#">CONSOLIDATED STATEMENTS OF CASH FLOWS</a>	F-5
<a href="#">NOTES TO CONSOLIDATED FINANCIAL STATEMENTS</a>	F-6

(a)(2) All financial statement schedules are omitted because the information is inapplicable or presented in the notes to the financial statements, except for Schedule II – Valuation and qualifying accounts.

(a)(3) Exhibits required by Item 601 of Regulation S-K are incorporated herein by reference and are listed on the attached Exhibit Index.

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Exhibit Number	Document
3.1	<a href="#">Restated Articles of Incorporation (Incorporated by reference to Exhibit A to Registrant's Schedule 14A Definitive Proxy Statement filed April 29, 2015).</a>
3.2	<a href="#">Amended and Restated By-Laws of Yunhong CTI, Ltd (Incorporated by reference to Exhibit 3.2, contained in Registrant's Form 8-K filed on March 17, 2017).</a>
3.3	<a href="#">Amended and Restated By-Laws of Yunhong Green CTI Ltd (Incorporated by reference to Exhibit 3.2 contained in Registrant's Form 8-K filed on September 6, 2023).</a>
3.4	<a href="#">Amended and Restated Certificate of Designation of Series A Convertible Preferred Stock (Incorporated by reference to Exhibit 3.1, contained in the Registrant's form 8-K filed on February 19, 2020).</a>
3.5	<a href="#">Articles of Amendment to the Registrant's Articles of Incorporation (Incorporated by reference to Exhibit 3.1, contained in the Registrant's form 8-K filed on March 16, 2020).</a>
3.6	<a href="#">Certificate of Designations, Preferences and Rights of Series B Redeemable Convertible Preferred Stock, No Par Value (Incorporated by reference to Exhibit 3.1 contained in Registrant's Form 8-K/A filed on May 5, 2021).</a>
3.7	<a href="#">Certificate of Designations of Series C Convertible Preferred Stock (Incorporated by reference to Exhibit 3.1 contained in Registrant's Form 8-K/A filed on May 5, 2021).</a>



3.8	<a href="#">Certificate of Designations of Series D Convertible Preferred Stock (Incorporated by reference to Exhibit 3.1 contained in Registrant's Form 8-K filed on December 7, 2021).</a>
4.1	<a href="#">Form of Yunhong CTI, Ltd common stock certificate (Incorporated by reference to Exhibit 4.1 contained in Registrant's Report on Form 10-K dated March 31, 2017).</a>
10.1	<a href="#">Yunhong CTI, Ltd 2018 Stock Incentive Plan (Incorporated by Reference to Schedule A contained in Registrant's 14A Definitive Proxy Statement, as filed with the Commission on April 30, 2018)</a>
10.2	<a href="#">Subscription Agreement among Registrant and John H. Schwan dated December 21, 2018 (Incorporated by reference to Exhibit 10.1, contained in Registrant's form 8-K filed on January 17, 2019).</a>
10.3	<a href="#">Stock Purchase Agreement, dated as of January 3, 2020 (Incorporated by reference to Exhibit 10.1, contain in Registrants form 8-K filed on January 3, 2020).</a>
10.4	<a href="#">Amendment No. 1 to Securities Purchase Agreement, dated as of February 24, 2020 (Incorporated by reference to Exhibit 10.1, contained in the Registrant's form 8-K filed on February 26, 2020).</a>
10.5	<a href="#">Amendment No.2 to Securities Purchase Agreement dated as of April 13, 2020 (Incorporated by reference to Exhibit 10.1, contained in Registrant's form 8-K filed on April 17, 2020).</a>
10.6	<a href="#">Stock Purchase Agreement (Incorporated by reference to Exhibit 10.1 contained in Registrant's Form 8-K filed on November 25, 2020).</a>
10.7	<a href="#">Securities Purchase Agreement (Incorporated by reference to Exhibit 10.1 contained in Registrant's Form 8-K filed on January 15, 2021).</a>
10.8	<a href="#">Purchase and Sale Agreement (Incorporated by reference to Exhibit 10.1 contained in Registrant's Form 8-K filed on April 29, 2021).</a>
10.9	<a href="#">Lease Agreement (Incorporated by reference to Exhibit 10.2 contained in Registrant's Form 8-K filed on April 29, 2021).</a>
10.10	<a href="#">Promissory Note (Incorporated by reference to Exhibit 10.3 contained in Registrant's Form 8-K filed on April 29, 2021).</a>
10.11	<a href="#">Stock Redemption Agreement (Incorporated by reference to Exhibit 10.1 contained in Registrant's Form 8-K filed on August 5, 2021).</a>
10.12	<a href="#">Loan and Security Agreement (Incorporated by reference to Exhibit 10.1 contained in Registrant's Form 8-K filed on October 6, 2021).</a>
10.13	<a href="#">Stock Purchase Agreement (Incorporated by reference to Exhibit 10.1 contained in Registrant's Form 8-K filed on December 7, 2021).</a>
10.14	<a href="#">Warrant (Incorporated by reference to Exhibit 10.2 contained in Registrant's Form 8-K filed on December 7, 2021).</a>
10.15	<a href="#">Employment Agreement (Offer Letter) between Frank Cesario and the Company dated December 29, 2021 (Incorporated by reference to Exhibit 10.1 contained in Registrant's Report on Form 8-K filed on January 11, 2022).</a>
10.16	<a href="#">Exclusive Distribution Agreement, dated as of January 28, 2023 (Incorporated by reference to Exhibit 99.1 contained in Registrant's Form 8-K filed on February 2, 2023).</a>
14.1	<a href="#">Code of Ethics (Incorporated by reference to Exhibit 14 contained in the Registrant's Form 10-K/A Amendment No. 2, as filed with the Commission on October 13, 2004).</a>
23.1	<a href="#">Consent of Independent Registered Public Accounting Firm, BF Borgers CPA PC.</a>
31.1	<a href="#">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).</a>
31.2	<a href="#">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).</a>
32.1	<a href="#">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).</a>
97	<a href="#">Incentive compensation recovery (Clawback) policy</a>
101	Interactive Data Files, including the following materials from the Company's Annual Report on Form 10-K for the year ended December 31, 2023, 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.
104	Cover Page Interactive Data File (embedded within the Inline XBRL and contained in Exhibit 101)

- (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.

#### Item No. 16 – Summary

None.

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#### 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, 2024.

**Yunhong Green CTI, LTD**

By: /s/ Frank Cesario

Frank Cesario, Chief Executive Officer, Acting Chief  
Financial Officer, Director

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
<u>/s/ Yubao Li</u> Yubao Li	Chairman of the Board of Directors	March 29, 2024
<u>/s/ Douglas Bosley</u> Douglas Bosley	Director	March 29, 2024
<u>/s/ Gerald (J.D.) Roberts, Jr.</u> Gerald (J.D.) Roberts, Jr.	Director	March 29, 2024
<u>/s/ Philip Wong</u> Philip Wong	Director	March 29, 2024

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#### Yunhong Green CTI, LTD and Subsidiaries

Consolidated Financial Statements

Years ended December 31, 2023 and 2022

#### Contents

Consolidated Financial Statements:	
<a href="#">Report of Independent Registered Public Accounting Firm (PCAOB ID 5041)</a>	F-1
<a href="#">Consolidated Balance Sheets as of December 31, 2023 and 2022</a>	F-2
<a href="#">Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2023 and 2022</a>	F-3
<a href="#">Consolidated Statements of Shareholders' Equity as of December 31, 2023 and 2022</a>	F-4
<a href="#">Consolidated Statements of Cash Flows for the years ended December 31, 2023 and 2022</a>	F-5

Financial Statement Schedule:

All other schedules for which a provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and, therefore, have been omitted.

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### Report of Independent Registered Public Accounting Firm

To the shareholders and the board of directors of Yunhong Green CTI Ltd.

#### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Yunhong Green CTI Ltd. (the "Company") as of December 31, 2023, the related statement of operations, shareholders' equity (deficit), and cash flows for the year then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States.

#### Substantial Doubt about the Company's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the financial statements, the Company's significant operating losses raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

#### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

#### Critical Audit Matters

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or are required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved especially challenging, subjective, or complex judgments.

We determined that there are no critical audit matters.

/s/ BF Borgers CPA PC  
BF Borgers CPA PC (PCAOB ID 5041)

We have served as the Company's auditor since 2022  
Lakewood, CO  
March 29, 2024

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### Yunhong Green CTI, Ltd Consolidated Balance Sheets

	December 31, 2023	December 31, 2022
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 921,000	\$ 146,000
Accounts receivable, net	3,975,000	1,618,000
Inventories	7,791,000	8,325,000
Prepaid expenses	332,000	389,000
Other current assets	-	-
<b>Total current assets</b>	<b>13,019,000</b>	<b>10,478,000</b>
Property, plant and equipment:		
Machinery and equipment	17,940,000	17,723,000
Office furniture and equipment	2,084,000	2,084,000
Intellectual property	783,000	783,000
Leasehold improvements	39,000	39,000
Fixtures and equipment at customer locations	519,000	519,000
Projects under construction	112,000	108,000
	21,477,000	21,256,000
Less : accumulated depreciation and amortization	(20,613,000)	(20,334,000)
<b>Total property, plant and equipment, net</b>	<b>864,000</b>	<b>922,000</b>
Other assets:		
Operating lease right-of-use	3,364,000	3,882,000
Other assets	-	-
<b>Total other assets</b>	<b>3,364,000</b>	<b>3,882,000</b>

<b>TOTAL ASSETS</b>	<b>17,247,000</b>	<b>15,282,000</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Trade payables	\$ 917,000	\$ 1,313,000
Line of credit	4,991,000	2,878,000
Notes payable - current portion	140,000	289,000
Notes payable - officers, subordinated	1,344,000	-
Operating lease liabilities	522,000	518,000
Accrued liabilities	2,226,000	2,480,000
<b>Total current liabilities</b>	<b>10,140,000</b>	<b>7,478,000</b>
<b>Long-term liabilities:</b>		
Notes payable – net of current portion	533,000	427,000
Notes payable - officers, subordinated	-	1,267,000
Operating lease liabilities	2,842,000	3,364,000
<b>Total long-term liabilities</b>	<b>3,375,000</b>	<b>5,058,000</b>
<b>TOTAL LIABILITIES</b>	<b>13,515,000</b>	<b>12,536,000</b>
<b>Equity:</b>		
<b>Yunhong CTI, Ltd shareholders' equity:</b>		
Series B Preferred Stock — no par value, none and 170,000 shares authorized, issued and outstanding at December 31, 2023 and 2022 respectively (liquidation preference - \$1.7 million as of December 31, 2022)	-	1,851,000
Common stock - no par value, 2,000,000,000 and 50,000,000 shares authorized, 20,815,595 and 16,102,749 shares issued and 20,771,937 and 16,059,991 shares outstanding at December 31, 2023 and December 31, 2022 respectively	21,283,000	21,283,000
Paid-in-capital	6,967,000	3,895,000
Accumulated deficit	(24,357,000)	(24,122,000)
Less: Treasury stock, 43,658 shares	(161,000)	(161,000)
<b>Total Yunhong CTI, Ltd Shareholders' Equity</b>	<b>3,732,000</b>	<b>2,746,000</b>
<b>Total Shareholders' Equity</b>	<b>3,732,000</b>	<b>2,746,000</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 17,247,000</b>	<b>\$ 15,282,000</b>

See accompanying notes to consolidated financial statements

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**Yunhong Green CTI, Ltd**  
**Consolidated Statements of Operations and Comprehensive Income (Loss)**

	<b>For the Twelve Months Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Net Sales	\$ 17,804,000	\$ 18,048,000
Cost of Sales	14,546,000	14,910,000
Gross profit	3,258,000	3,138,000
Operating expenses:		
General and administrative	2,995,000	3,720,000
Selling	131,000	136,000
Advertising and marketing	531,000	402,000
Total operating expenses	3,657,000	4,258,000
Loss from operations	(399,000)	(1,120,000)
Other (expense) income:		
Interest expense	(628,000)	(450,000)
Other income/(expense)	792,000	103,000
Total other expense, net	164,000	(347,000)
Loss from continuing operations before taxes	(235,000)	(1,467,000)
Income tax expense	-	-
Loss from continuing operations	(235,000)	(1,467,000)
Income (Loss) from discontinued operations , net of tax	-	-
Net Loss	\$ (235,000)	\$ (1,467,000)
Less: Net loss attributable to noncontrolling interest	-	-
Net loss attributable to Yunhong CTI, Ltd	\$ (235,000)	\$ (1,467,000)

## Other Comprehensive Income (Loss)

Foreign currency adjustment	-	-
Reclassification of foreign currency adjustment to earnings	-	-
Comprehensive loss	<u>\$ (235,000)</u>	<u>\$ (1,467,000)</u>
Deemed dividends on preferred stock and amortization of beneficial conversion feature	<u>\$ (11,000)</u>	<u>\$ (584,000)</u>
Net Loss Attributable to Yunhong CTI Ltd Common Shareholders	<u>\$ (246,000)</u>	<u>\$ (2,051,000)</u>
Basic income (loss) per common share		
Basic income (loss) per common share	<u>\$ (0.01)</u>	<u>\$ (0.22)</u>
Diluted income (loss) per common share		
Diluted income (loss) per common share	<u>\$ (0.01)</u>	<u>\$ (0.22)</u>
Weighted average number of shares and equivalent shares of common stock outstanding:		
Basic	<u>19,526,633</u>	<u>9,301,888</u>
Diluted	<u>19,526,633</u>	<u>9,301,888</u>

See accompanying notes to consolidated financial statements

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[Table of Contents](#)**Yunhong Green CTI, Ltd**  
**Consolidated Statements of Shareholders' Equity**

Yunhong CTI, Ltd										
	Series B Preferred Stock		Common Stock		Paid-in Capital	Accumulated (Deficit) Earnings	Accumulated Other Comprehensive Loss	Less Treasury Stock		TOTAL
	Shares	Amount	Shares	Amount				Shares	Amount	
Balance December 31, 2022	170,000	\$ 1,851,000	16,102,749	\$21,283,000	\$3,895,000	\$ (24,122,000)	\$ -	(44,000)	\$(161,000)	2,746,000
Series B Convertible Preferred Stock Issuance	(170,000)	(1,862,000)	1,888,078		1,862,000					-
Common stock issued for notes payable and investor deposit			1,908,336		884,000					884,000
Accrued Deemed Dividend - Series B Preferred Stock		11,000			(11,000)					-
Equity compensation			116,250		21,000					21,000
Broker issuance			125,000							-
Conversion of warrants and deferred liability			675,182		316,000					316,000
Net Income (Loss)						(235,000)				(235,000)
Foreign Currency Translation							-			-
Balance December 31, 2023	-	\$ -	20,815,595	\$21,283,000	\$6,967,000	\$ (24,357,000)	\$ -	(44,000)	\$(161,000)	\$3,732,000

Yunhong CTI, Ltd															
	Series A Preferred Stock		Series B Preferred Stock		Series C Preferred Stock		Series D Preferred Stock		Common Stock		Paid-in Capital	Accumulated (Deficit) Earnings	Less Treasury Stock		TOTAL
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount			Shares	Amount	
Balance December 31, 2021	500,000	\$ 3,155,000	170,000	\$1,715,000	170,000	\$ 1,630,000	170,000	\$ 1,512,000	5,930,408	\$14,538,000	\$4,317,000	\$ (22,655,000)	(44,000)	\$(161,000)	4,051,000
Accrued Deemed Dividend - Series A Preferred Stock		267,000									(267,000)				-
Conversion Series A Preferred Stock	(500,000)	(3,422,000)							6,278,990	3,422,000					
Accrued Deemed Dividend - Series B Preferred Stock				136,000							(136,000)				-
Accrued Deemed Dividend - Series C Preferred Stock						91,000					(91,000)				-
Conversion Series C Preferred Stock					(170,000)	(1,721,000)			1,985,702	1,721,000					

See accompanying notes to consolidated financial statements

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	For the Year Ended December 31,	
	2023	2022
Cash flows from operating activities:		
Net loss	\$ (235,000)	\$ (1,467,000)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities		
Depreciation and amortization	279,000	383,000
Equity compensation charge	21,000	162,000
Change in assets and liabilities:		
Accounts receivable	(2,357,000)	1,825,000
Inventories	534,000	(449,000)
Prepaid expenses and other assets	57,000	836,000
Trade payables	(396,000)	(819,000)
Accrued liabilities	980,000	1,897,000
Net cash (used in) provided by operating activities	(1,117,000)	2,368,000
Cash flows from investing activities:		
Purchases of property, plant and equipment	(221,000)	(163,000)
Proceeds from Sale of building	-	-
Net cash (used in) provided by investing activities	(221,000)	(163,000)
Cash flows from financing activities:		
Repayment of debt and revolving line of credit	-	(2,125,000)
Proceeds from issuance of long-term debt and revolving line of credit	2,113,000	-
Net cash provided by (used in) financing activities	2,113,000	(2,125,000)
Net increase (decrease) in cash and cash equivalents	775,000	80,000
Cash and cash equivalents at beginning of year	146,000	66,000
Cash and cash equivalents at end of year	\$ 921,000	\$ 146,000
The cash flows related to discontinued operations have not been segregated, and are included in the Consolidated Statements of Cash Flows. The cash and equivalents amounts presented above differ from cash and equivalents in the Consolidated Balance Sheets due to cash included in "Current assets of discontinued operations."		
Supplemental disclosure of cash flow information:		
Cash payments for interest	\$ 551,000	\$ 375,000
Accrued dividend and accretion on preferred stock	\$ 11,000	\$ 584,000
Lease right-of-use assets and lease liability	\$ -	\$ 747,000
Conversion of preferred stock into common stock	\$ 1,500,000	\$ 6,745,000
Conversion of notes and deposits into common stock	\$ 1,202,000	\$ -
Cash receipts for tax refund	\$ -	\$ 202,000

See accompanying notes to consolidated financial statements

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## 1. Nature of Business

### ***Nature of Operations***

Yunhong Green CTI Ltd. (formerly Yunhong CTI Ltd. and prior to that CTI Industries Corporation), its former subsidiaries - United Kingdom subsidiary (CTI Balloons Limited), Mexican subsidiary (Flexo Universal, S. de R.L. de C.V.), and German subsidiary (CTI Europe GmbH); as well as current (inactive) subsidiary CTI Supply, Inc. (collectively, the "Company") (i) design, manufacture and distribute metalized and latex balloon products throughout the world and (ii) operate systems for the production, lamination, coating and printing of films used for food packaging and other commercial uses and for conversion of films to flexible packaging containers and other products. Effective in 2019, the Company determined that it was exiting CTI Balloons Limited and CTI Europe, and during 2021 sold its interest in Flexo Universal. Accordingly, the operations of these entities were classified as discontinued operations in the financial statements.

## 2. Summary of Significant Accounting Policies



## Principles of Consolidation

The consolidated financial statements include the accounts of Yunhong Green CTI Ltd., and its wholly owned, inactive, subsidiary CTI Supply, Inc. All significant intercompany accounts and transactions have been eliminated upon consolidation.

## Variable Interest Entities

The determination of whether or not to consolidate a variable interest entity under U.S. GAAP requires a significant amount of judgment concerning the degree of control over an entity by its holders of variable interest. To make these judgments, management has conducted an analysis of the relationship of the holders of variable interest to each other, the design of the entity, the expected operations of the entity, which holder of variable interests is most "closely associated" to the entity and which holder of variable interests is the primary beneficiary required to consolidate the entity. Upon the occurrence of certain events, management reviews and reconsiders its previous conclusion regarding the status of an entity as a variable interest entity.

## Foreign Currency Translation

There are no foreign operations and substantially all activities occur in US Dollars.

## Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the amounts reported of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period in the financial statements and accompanying notes. Actual results may differ from those estimates. The Company's significant estimates include valuation allowances for doubtful accounts, inventory valuation, deferred tax assets, goodwill and intangible asset valuation, leasehold assets and liabilities, Preferred Stock deemed dividends and beneficial conversion feature values, and assumptions used as inputs in the Black-Scholes option-pricing model.

## Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less.

## Accounts Receivable

Trade receivables are carried at original invoice amount less an estimate for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts, evaluating the individual customer receivables through consideration of the customer's financial condition, credit history and current economic conditions and use of historical experience applied to an aging of accounts. A trade receivable is considered to be past due if any portion of the receivable balance is outstanding for a period over the customer's normal terms. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received.

## Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using standard costs which approximates costing determined on a first-in, first-out basis, to reflect the actual cost of production of inventories.

Production costs of work in process and finished goods include material, labor and overhead. Inventory is not recorded in excess of net realizable value.

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## Property, Plant and Equipment

Property and equipment are stated at cost. Expenditures for maintenance and repairs are charged to operations as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are amortized on a straight-line method over the lesser of the estimated useful life or the lease term. The estimated useful lives range as follows:

	(in years)
Building	25-30
Machinery and equipment	3-15
Projects that prolong the life and increase efficiency of machinery	3-5
Light Machinery	5-10
Heavy Machinery	10-15
Office furniture and equipment	5-8
Intellectual Property	9-15
Leasehold improvements	5-8
Furniture and equipment at customer locations	1-3

Light machinery consists of forklifts, scissor lifts, and other warehouse machinery. Heavy machinery consists of production equipment including laminating, printing and converting equipment. Projects in process represent those costs capitalized in connection with construction of new assets and/or improvements to existing assets including a factor for interest on funds committed to projects in process of \$112,000 and \$108,000 for the years ended December 31, 2023 and 2022, respectively. Upon completion, these costs are reclassified to the appropriate asset class.

## Stock-Based Compensation

The Company has stock-based incentive plans which may grant stock option, restricted stock and unrestricted stock awards. The Company recognizes stock-based compensation expense based on the grant date fair value of the award and the related vesting terms. The fair value of stock-based awards is determined using the Black-Scholes model, which incorporates assumptions regarding the risk-free interest rate, expected volatility, expected option life, and dividend yield. See Note 14 for additional information.

## Fair Value Measurements

Current professional accounting guidance applies to all assets and liabilities that are being measured and reported on a fair value basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market. The requirements prescribe a fair value hierarchy that has three levels of inputs, both observable and unobservable, with use of the lowest possible level of input to determine fair value. A Level 1 input includes a quoted market price in an active market or the price of an identical asset or liability. Level 2 inputs are market data other than Level 1 inputs that are observable either directly or indirectly including quoted market prices for similar assets or liabilities, quoted market prices in an inactive market, and other observable information that can be corroborated by market data. Level 3 inputs are unobservable and corroborated by little or no market data.

The carrying value amounts of the Company's cash and cash equivalents, accounts and notes receivable, accounts payable and other current liabilities are reasonable estimates of their fair values due to the short-term nature of these instruments. The fair value of business segments (as needed for purposes of determining indications of impairment to the carrying value of goodwill) is determined using an average of valuations based on market multiples and discounted cash flows, and consideration of our market capitalization. See Note 5 for further discussion.

## Valuation of Long Lived Assets

The Company evaluates whether events or circumstances have occurred which indicate that the carrying amounts of long-lived assets (principally property, plant and equipment) may be impaired or not recoverable. The significant factors that are considered that could trigger an impairment review include: changes in business strategy,

market conditions, or the manner of use of an asset; underperformance relative to historical or expected future operating results; and negative industry or economic trends. In evaluating an asset for possible impairment, management estimates that asset's future undiscounted cash flows and appraised values to measure whether the asset is recoverable. The Company measures the impairment based on the projected discounted cash flows of the asset over its remaining life.

#### **Deferred Financing Costs**

Deferred financing costs are amortized over the term of the loan. Upon a refinancing, existing unamortized deferred financing costs are expensed.

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#### **Income Taxes**

The Company accounts for income taxes using the liability method. As such, deferred income taxes reflect the net tax effects of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amount used for income tax purposes. Realization of deferred tax assets is dependent upon future earnings, the timing and amount of which are uncertain.

Deferred tax assets and liabilities are measured using enacted tax rates expected to be in effect when the anticipated reversal of these differences is scheduled to occur. Deferred tax assets are reduced by a valuation allowance when management cannot determine, in its opinion, that it is more likely than not that the Company will recover that recorded value of the deferred tax asset. The Company is subject to U.S. Federal, state and local taxes as well as foreign taxes in Mexico (through October 2021). U.S. income tax expense and foreign withholding taxes are provided on remittances of foreign earnings and on unremitted foreign earnings that are not indefinitely reinvested.

We utilize a two step approach to recognize and measure uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not the position will be sustained upon tax authority examination, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement. See Note 10 for further discussion.

#### **Revenue Recognition**

On January 1, 2018, we adopted Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers* using the modified retrospective method. The adoption of ASC 606 did not have a material impact on our consolidated financial position or results of operations, as our revenue arrangements generally consist of a single performance obligation to transfer promised goods at a fixed price.

Net sales include revenues from sales of products and shipping and handling charges, net of estimates for product returns. Revenue is measured at the amount of consideration the Company expects to receive in exchange for the transferred products. Revenue is recognized at the point in time when we transfer the promised products to the customer and the customer obtains control over the products. The Company recognizes revenue for shipping and handling charges at the time the goods are shipped to the customer, and the costs of outbound freight are included in cost of sales, as we have elected the practical expedient included in ASC 606. In most cases, the Company has a single product delivery performance obligation. Accrued product returns are estimated based on historical data and evaluation of current information.

The Company provides for product returns based on historical return rates. While we incur costs for sales commissions to our sales employees and outside agents, we recognize commission costs concurrent with the related revenue, as the amortization period is less than one year and we have elected the practical expedient included in ASC 606. We do not incur incremental costs to obtain contracts with our customers. Our product warranties are assurance-type warranties, which promise the customer that the products are as specified in the contract. Therefore, the product warranties are not a separate performance obligation and are accounted for as described herein. Sales taxes assessed by governmental authorities are accounted for on a net basis and are excluded from net sales.

A disaggregation of product net sales is presented in Note 16.

#### **Research and Development**

The Company conducts product development and research activities which include (i) creative product development and (ii) engineering. During the years ended December 31, 2023 and 2022, research and development activities totaled approximately \$200,000 in each period.

#### **Advertising Costs**

The Company expenses advertising costs as incurred.

#### **Note 3 – Liquidity and Going Concern**

The Company's financial statements are prepared using account principles generally accepted in the United States ("U.S. GAAP") applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has a cumulative net loss from inception to December 31, 2023 of approximately \$24 million. The accompanying financial statements for the year ended December 31, 2023 have been prepared assuming the Company will continue as a going concern. The Company's cash resources may be insufficient to meet its anticipated needs during the next twelve months. The Company may require additional funding on acceptable terms to support its planned future operations. Management's plans include executing on its business plan and raising external funds to the extent needed. These factors are indicators that there is substantial doubt about the ability to continue as a going concern for one year from the issuance of the accompanying consolidated financial statements. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

The Company's primary sources of liquidity have traditionally been comprised of cash and cash equivalents as well as availability under a Credit Agreement. During September 2021, we entered into a new credit agreement with Line Financial. The new agreement with Line Financial includes a revolving credit facility for up to \$6 million and a term loan of \$0.7 million, all supported by the majority of our assets. This Agreement was extended during September 2023, until September 30, 2025, under substantially similar terms. We also made structural changes to our business, removing the cash required to support subsidiaries that are no longer part of our group and other operating improvements.

We have been in compliance with our new credit facility since its inception. As of December 31, 2023 we have drawn approximately \$ 5.0 million of the maximum \$6.0 million revolving line of credit, which is available subject to the value of receivables and inventory that support the line. Through December 31, 2022, the Company received approximately \$160,000 in Employee Retention Tax Credits ("ERTC") from the United States Government related to claims that were filed during 2021. \$ 123,000 was listed as General and Administrative, while the remainder was in Other Income. During October 2022 we had outstanding \$1.2 million of additional ERTC claims that had not been processed. We factored those claims with a third party for \$0.9 million. During 2023, these claims were processed and paid, which was forwarded to the third party. At that time, we recognized approximately \$0.9 million of the related deferred income.

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#### **4. New Accounting Pronouncements**

##### *Recent Accounting Pronouncements*

##### Credit Loss

In June 2016, the FASB issued authoritative guidance to replace the incurred loss impairment methodology under current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. For public entities, the guidance is effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years, which for the Company was the first quarter of fiscal 2021. The adoption did not have a material impact on its consolidated financial statements.

##### Income Taxes

In December 2019, the FASB issued authoritative guidance that simplifies the accounting for income taxes as part of the overall initiative to reduce complexity in accounting standards. Amendments include removal of certain exceptions to the general principles of Accounting Standards Codification 740, Income Taxes. The amendments also include simplification in several other areas, such as recognition of deferred tax assets on step-up in tax basis in goodwill and accounting for franchise tax that is partially based on income. For public entities, the guidance is effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years, which for the Company was the first quarter of fiscal 2021. The adoption did not have a material impact on its consolidated financial statements.

## 5. Fair Value Disclosures

U.S. GAAP 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. U.S. GAAP 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.

U.S. GAAP establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy categorizes assets and liabilities at fair value into one of three different levels depending on the observability of the inputs employed in the measurement. The three levels are defined as follows:

- **Level 1** – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- **Level 2** – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs are observable for the asset or liability, or unobservable but corroborated by market data, for substantially the full term of the financial instrument.
- **Level 3** – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of the input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

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## 6. Major Customers

For the year ended December 31, 2023, the Company had two customers that accounted for approximately 46% and 36% of consolidated net sales from continuing operations. For the year ended December 31, 2022, those same two customers accounted for approximately 36% and 35% of consolidated net sales. At December 31, 2023 and December 31, 2022, the outstanding accounts receivable balance due from these customers were \$3.4 million and \$0.1 million, respectively.

## 7. Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using standard costs which approximate costing determined on a first-in, first out basis. Standard costs are reviewed and adjusted periodically and at year end based on actual direct and indirect production costs. On a periodic basis, the Company reviews its inventory for estimated obsolescence or unmarketable items, primarily by reviewing future demand requirements and shelf life of the product.

Inventories of continuing operations are comprised of the following:

	December 31, 2023	December 31, 2022
Raw materials	\$ 1,156,000	\$ 1,457,000
Work in Process	2,511,000	2,513,000
Finished Goods	4,124,000	4,355,000
<b>Total inventories</b>	<b>\$ 7,791,000</b>	<b>\$ 8,325,000</b>

## 8. Notes Payable

Long term debt consists of:

	December 31,	
	2023	2022
Subordinated notes (officer) due December 2023	\$ 1,344,000	\$ 1,267,000
Other Note	-	172,000
Term Loan (2023 and 2022 are net of deferred finance costs of \$ 0.1 million and \$0.1 million, respectively)	673,000	543,000
Line of Credit	4,991,000	2,878,000
<b>Total long-term debt</b>	<b>7,008,000</b>	<b>4,860,000</b>
Less current portion	(6,475,000)	(3,166,000)
<b>Total Long-term debt, net of current portion</b>	<b>\$ 533,000</b>	<b>\$ 1,694,000</b>

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## Line of Credit and Term Loan

On September 30, 2021 (the "Closing Date"), the Company entered into a loan and security agreement (the "Agreement") with Line Financial (the "Lender"), which provides for a senior secured financing consisting of a revolving credit facility (the "Revolving Credit Facility") in an aggregate principal amount of up to \$6 million (the "Maximum Revolver Amount") and term loan facility (the "Term Loan Facility") in an aggregate principal amount of \$731,250 ("Term Loan Amount" and, together with the Revolving Credit Facility, the "Senior Facilities"). The Senior Facilities are secured by substantially all assets of the Company. The Senior Facilities were extended on September 30, 2023 until September 30, 2025 on substantially similar terms.

Interest on the Senior Facilities was set at the prime rate published from time to time published in the Wall Street Journal ( 8.5% as of December 31, 2023), plus 1.95% per annum, accruing daily and payable monthly. Interest shall be calculated on the basis of a 360-day year for the actual number of days elapsed. The Term Loan Facility shall be repaid by the Company to Lender in 48 equal monthly installments of principal and interest, each in the amount of \$ 15,000, commencing on November 1, 2021, and continuing on the first day of each month thereafter until the Term Loan Maturity Date (as defined in the Agreement). Also, the Company paid the Lender collateral monitoring fees of 4.62% of the eligible accounts receivable, inventory, and equipment supporting the Revolving Credit Facility and the Term Loan. In addition, the Company paid the Lender a loan fee of 1.25% of the Maximum Revolver Amount and the Term Loan Amount upon the execution of the Agreement. During August 2022 the terms were modified to reduce the collateral monitoring fee to 2.77% and added a provision that barred the Company from repaying the facility prior to September 2023. This Term Loan was re-established effective with the September 30, 2023 renewal at the original values on September 30, 2021.

The Senior Facilities matured on September 30, 2023 and were extended by agreement between the parties until September 30, 2025. The facility automatically extends for successive periods of one year each, unless the Company or the Lender gives the other party written notice of termination not less than 90 days prior to the end of such term or renewal term, as applicable. If the Senior Facilities are renewed, the Company shall pay the Lender a renewal fee of 1.25% of the Maximum Revolver Amount and the Term Loan Amount upon each renewal on the anniversary of the Closing Date. The Company has the option to prepay the Term Loan Facility (together with all accrued but unpaid interest and a Term Loan Prepayment Fee (as defined the Agreement) in whole, but not in part, upon not less than 60 days prior written notice to the Lender. With this September 30, 2023 renewal, the parties agreed changes in terms including:

- Replace the asset monitoring fee on the Revolving Credit Facility with an increase in interest rate, to Prime plus 7.82% per annum. This change was intended by the parties to be financially neutral while easier to administrate.
- Reduce the interest rate on the Term Loan to Prime plus 1.45% per annum, with lender making a one-time additional advance of \$ 206,000 to reset the Term Loan to \$731,000.
- Reduce the renewal fee for this transaction to \$50,000 from the formula described above.
- Set the Term Loan asset monitoring fee to 0.385% per month.

The Senior Facilities require that the Company maintain Tangible Net Worth of at least \$ 4,000,000 or greater ("Minimum Tangible Net Worth"). Minimum Tangible Net Worth may be adjusted downward by the Lender, from time to time, in its sole and absolute discretion, based on the effect of non-cash charges and other factors on the calculation of Tangible Net Worth. Other debt subordinated to Lender is not considered as a reduction of this calculation. The Company believes it was in compliance with this covenant since inception, including through December 31, 2023.

The Senior Facilities contain certain affirmative and negative covenants that limit the ability of the Company, among other things and subject to certain significant exceptions, to incur debt or liens, make investments, enter into certain mergers, consolidations, and acquisitions, pay dividends and make other restricted payments, or make capital expenditures exceeding \$1,000,000 in the aggregate in any fiscal year.

As of December 31, 2023 and 2022, the term loan balance amounted to \$ 0.7 million and \$0.5 million, respectively, which consisted of the principal and interest payable balance and deferred financing costs. The balance of the Revolving Line of Credit as of December 31, 2023 and 2022 amounted to \$5.0 million and \$2.9 million, respectively.

#### **Subordinated (Officer) Note**

As of January 1, 2019, the Company had a note payable to John H. Schwan, former Director and former Chairman of the Board, for \$ 1.6 million, including accrued interest. This loan accrues interest, is due December 31, 2023, and is subordinate to the Senior Facilities. During January 2019, Mr. Schwan converted \$600,000 of the note into approximately 181,000 shares of our common stock at the then market rate of \$ 3.32 per share. As a result of the conversion, the loan balance decreased to \$ 1.0 million. The loan and interest payable to Mr. Schwan amounted to \$1.3 million as of December 31, 2023 and 2022, respectively. No payments were made to Mr. Schwan during 2023 or 2022. Interest expense related to this loan amounted to \$19,000 and \$18,000 for the three months ended December 31, 2023 and 2022, respectively, and \$ 78,000 and \$74,000 for the twelve months ended December 31, 2023 and 2022, respectively.

Pursuant to an agreement between the parties, the Company paid \$ 0.5 million of this balance on January 2, 2024, another \$0.5 million on January 16, 2024, and the remainder later during 2024.

#### **Other Note**

As of December 31, 2022, the Company had a note payable to Alex Feng for \$ 0.2 million. This loan accrued interest at a rate of 3% and is subordinated to the Senior Facilities. In accordance with the subordination agreement, payments may be made beginning April 2022 subject to availability under the revolving line of credit, and the maturity date for this loan was March 2024. Along with certain deposits received during 2022, this note was converted into common stock during February 2023.

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### **9. Income Taxes**

#### **Tax Reform act of 2017**

On December 22, 2017, the Tax Cuts and Jobs Act was enacted into law and introduced significant changes to U.S. tax law. The Company reflected the impacts of changes in tax law to the financial statements including the federal income tax rate reduction from 35% to 21%; the new limitations on the tax deductibility of interest expense; the acceleration of business asset expensing; the repeal of the alternative minimum tax ("AMT"); the limitation on the use of net operating losses generated in future years; and the Global Intangible Low Taxed Income regime. On March 27, 2020, the CARES Act was enacted into law and introduced changes to U.S. tax law including revised limitations on the tax deductibility of interest expense and the limitation on the use of net operating losses.

Due to an ownership change in the first quarter of 2020, the future utilization of certain post-change income tax attributes of Yunhong CTI Ltd, including net operating loss carryovers, are anticipated to be limited for U.S. income tax purposes.

The provision (benefit) for income taxes consists of the following:

	Year Ended December 31,	
	2023	2022
<b>Current:</b>		
Federal	\$ -	\$ -
State	-	-
Foreign	-	-
<b>Total Current</b>	<b>-</b>	<b>-</b>
<b>Deferred:</b>		
Federal	\$ -	\$ -
State	-	-
Foreign	-	-
<b>Total Deferred</b>	<b>-</b>	<b>-</b>
<b>Provision (Benefit) for income taxes</b>	<b>-</b>	<b>-</b>

Income tax provision (benefit) related to continuing operations differ from the amounts computed by applying the statutory income tax rate of 21% to pretax loss as follows (in thousands):

	Year Ended December 31,	
	2023	2022
<b>U.S. Federal provision (benefit)</b>		
At Statutory Rate	\$ (49,000)	\$ (120,000)
State Taxes	(71,000)	25,000
Change in Valuation Allowance	299,000	50,000
NOL Carryback Claim (CARES Act)	-	-
Nondeductible Expenses	-	-
Foreign Taxes	-	-
Deconsolidation & Impairment	-	(32,000)
Other	(179,000)	77,000
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>

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#### **Deferred Tax Assets and Liabilities**

Deferred income taxes reflect the net tax effects of loss and credit carryforwards and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of our deferred tax assets for federal and state income taxes are as follows):

	Year Ended December 31,	
	2023	2022
<b>Deferred Tax Assets:</b>		
Federal & State NOL Carryforward	5,163,000	3,241,000
Foreign Tax Credit & Other Credits	307,000	307,000
Capitalized R&D	98,000	55,000
Reserves and Accruals	147,000	152,000
Capital Loss Carryforward	2,360,000	2,378,000
Unicap 263A Adjustment	233,000	233,000
Other DTA	(95,000)	(91,000)
Foreign NOL Carryforward	2,000	2,000
Deferred Interest Expense	-	1,704,000
Total Gross DTA	8,215,000	7,982,000
Less: Val. Allowance	(8,476,000)	(8,159,000)
Total Deferred Tax Assets	(261,000)	(177,000)
<b>Deferred Tax Liabilities:</b>		
Fixed Assets & Intangibles	261,000	233,000
Section 481(a) Adjustment	-	(56,000)
Total Gross DTL	261,000	177,000
Net Deferred Tax Assets	-	-

Realization of our deferred tax assets is dependent upon future earnings, if any, the timing and amount of which are uncertain. Due to the lack of earnings history and in light of management's comments regarding going concern for most of 2019 through December 31, 2023, a valuation allowance has been recorded to reduce the deferred tax assets to its net realizable value. The valuation allowance increased by \$0.3 million and increased by \$0.4 million during the years ended December 31, 2023 and December 31, 2022, respectively. The valuation allowance includes no benefit related to stock based compensation and exercises for the years ended December 31, 2023 and 2022, respectively, prior to the implementation of ASC 515 and 718, that will be credited to additional paid in capital when realized.

#### Net Operating Loss and Tax Credit Carryforwards

As of December 31, 2023, we had a net operating loss carryforward for federal income tax purposes of approximately \$ 16.1 million, of which \$0.2 million is subject to expiration beginning 2037. We had a total state net operating loss carryforward of approximately \$18.7 million, with various expiration dates. Utilization of some of the federal and state net operating loss and credit carryforwards are subject to annual limitations due to the "change in ownership" provisions of the Internal Revenue Code of 1986 and similar state provisions. The annual limitations may result in the expiration of net operating losses and credits before utilization.

#### 10. Related Party Transactions

Ms. Jana M. Schwan is the Company's Chief Operating Officer. Her father, John H. Schwan, held several positions with the Company over many years, most recently as Chairman of the Board until June 2020. His brother is Gary Schwan, one of the owners of Schwan Incorporated, which provides building maintenance services to the Company. The Company made payments to Schwan Incorporated of approximately \$1,000 and \$1,000 during the years ended December 31, 2023 and 2022, respectively.

As discussed in Note 9, Mr. John H. Schwan was owed approximately \$ 1.3 million and \$1.2 million as of December 31, 2023 and 2022, respectively in a note from the Company.

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#### 11. Commitments

##### Operating Leases

We adopted ASC Topic 842 (Leases) on January 1, 2019 using the modified retrospective method. This standard requires us to record certain operating lease liabilities and corresponding right-of-use assets on our balance sheet. We elected the package of practical expedients available for expired or existing contracts, which allowed us to carryforward our historical assessments of whether contracts are (or contain) leases, as well as lease classification tests and treatment of initial direct costs. We also elected to not separate lease components from non-lease components for all fixed payments, and we exclude variable lease payments in the measurement of right-of-use assets and lease obligations.

Upon adoption of ASC 842 we recorded a \$ 2.8 million increase in other assets, a \$1.1 million increase in current liabilities, and a \$1.7 million increase in non-current liabilities. We did not record any cumulative effect adjustments in opening retained earnings, and adoption of ASC 842 had no impact on cash flows from operating, investing, or financing activities.

We determine if an arrangement is a lease at inception. Most of our operating leases do not provide an implicit rate of interest so we use our incremental borrowing rate based on the information available at the commencement date to determine the present value of future payments. We lease various assets in the course of ordinary business including warehouses and manufacturing facilities, as well as vehicles and equipment used in our operations. Leases with an initial term of 12 months or less are not recorded on the balance sheet as we recognize lease expense for these leases on a straight-line basis over the lease term. The depreciable life of assets and related improvements are limited by the expected lease term, unless there is a reasonably certain expected transfer or title or purchase option. Some lease agreements include renewal options at our sole discretion. Any guaranteed residual value is included in our lease liability.

The table below describes our lease position as of December 31, 2023 and 2022:

	As of December 31, 2023	As of December 31, 2022
<b>Assets</b>		
Operating lease right-of-use assets	4,632,000	4,805,000
Accumulated amortization	(1,268,000)	(923,000)
Net lease assets	3,364,000	3,882,000
<b>Liabilities</b>		
Current		
Operating	522,000	518,000
Noncurrent		
Operating	2,842,000	3,364,000
Total lease liabilities	3,364,000	3,882,000
Weighted average remaining term (years) – operating leases	7	8
Weighted average discount rate – operating leases	11.25%	11.25%

During the year ended December 31, 2023 and 2022, we recorded expenses related to



	Year ended December 31	
	2023	2022
Operating right-of-use lease asset amortization	754,000	746,000
Financing lease asset amortization	-	-
Related interest expense	-	-
Total expense during twelve months ended December 31	754,000	746,000

The following table summarizes the maturities of our lease liabilities for all operating leases as of December 31, 2023

(in thousands)	12/31/2023
2024	978
2025 and thereafter	4,268
Total lease payments	5,246
less: Imputed interest	(1,882)
Present value of lease liabilities	3,364

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## 12. Convertible Redeemable Preferred Stock

### Series A Convertible Preferred Stock

On January 3, 2020, the Company entered into a stock purchase agreement (as amended on February 24, 2020 and April 13, 2020 (the "LF Purchase Agreement")), pursuant to which the Company agreed to issue and sell, and LF International Pte. Ltd., a Singapore private limited company ("LF International"), which is controlled by Company director, Chairman, President and Chief Executive Officer, Mr. Yubao Li, agreed to purchase, up to 500,000 shares of the Company's newly created shares of Series A Preferred Stock ("Series A Preferred"), with each share of Series A Preferred initially convertible into ten shares of the Company's common stock, at a purchase price of \$10.00 per share, for aggregate gross proceeds of \$5,000,000 (the "LF International Offering"). As permitted by the Purchase Agreement, the Company may, in its discretion issue up to an additional 200,000 shares of Series A Preferred for a purchase price of \$10.00 per share (the "Additional Shares Offering," and collectively with the LF International Offering, the "Offering"). Approximately \$1 million of Series A Preferred has been sold, including to an investor which converted an account receivable of \$478,000 owed to the investor by the Company in exchange for 48,200 shares of Series A Preferred. The Company completed several closings with LF International from January 2020 through June 2020. The majority of the funds received reduced our bank debt. We issued a total of 400,000 shares of common stock to LF International and, pursuant to the LF Purchase Agreement, changed our name from CTI Industries Corporation to Yunhong CTI Ltd. LF International has the right to name three directors to serve on our Board. They were Mr. Yubao Li, Ms. Wan Zhang and Ms. Yaping Zhang. Ms. Wan Zhang and Ms. Yaping Zhang retired from the Board in January 2022.

The issuance of the Series A Preferred generated a beneficial conversion feature (BCF), which arises when a debt or equity security is issued with an embedded conversion option that is beneficial to the investor or in the money at inception because the conversion option has an effective strike price that is less than the market price of the underlying stock at the commitment date. The fair value of the common stock into which the Series A Preferred was convertible exceeded the allocated purchase price fair value of the Series A Preferred Stock at the closing dates by approximately \$2.5 million as of the closing dates. We recognized this BCF by allocating the intrinsic value of the conversion option, to additional paid-in capital, resulting in a discount on the Series A Preferred. As the Series A Preferred is immediately convertible, the Company accreted the discount on the date of issuance. The accretion was recognized as dividend equivalents. Holders of the Series A Preferred will be entitled to receive quarterly dividends at the annual rate of 8% of the stated value (\$10 per share). Such dividends may be paid in cash or in shares of common stock at the Company's discretion. In the three and nine months ended September 30, 2022, the Company accrued \$67,000 and \$267,000 of these dividends in each period, respectively. On September 1, 2022, the investor converted Preferred Series A into 5 million shares of common stock and approximately 1.3 million shares of common stock representing accrued dividends.

### Series B Convertible Preferred Stock

In November 2020, we issued 170,000 shares of Series B Preferred for an aggregate purchase price of \$1,500,000. The Series B Preferred have an initial stated value of \$10.00 per share and liquidation preference over common stock. The Series B Preferred is convertible into shares of our common stock equal to the number of shares determined by dividing the sum of the stated value and any accrued and unpaid dividends by the conversion price of \$1.00. The Series B Preferred accrues dividends at a rate of 8 percent per annum, payable at our election either in cash or shares of the Company's common stock. Initially, the Series B Preferred, in whole or part, was redeemable at the option of the holder (but not mandatorily redeemable) at any time on or after November 30, 2021 for the stated value, plus any accrued and unpaid dividends and thus was classified as mezzanine equity and initially recognized at fair value of \$1.5 million (the proceeds on the date of issuance). In March 2021, the terms of the Series B Preferred were modified to eliminate the ability of the holder to redeem the Series B Preferred. As the Series B Preferred is no longer redeemable, the Series B Preferred is not classified as mezzanine equity as of December 31, 2022 or December 31, 2021. As a result, the carrying value as of December 31, 2022 and 2021 amounted to \$1,851,000 and \$1,715,000, respectively. The December 31, 2022 balance consists of \$1,500,000 original carrying value, \$304,000 accrued dividends and \$47,000 accretion. On February 1, 2023, the investor converted Preferred Series B into approximately 1.9 million shares of common stock.

### Series C Convertible Preferred Stock

In January 2021 we entered into an agreement with a related party, LF International Pte. Ltd. which is controlled by Company director and Chairman, Mr. Yubao Li, to purchase shares of Series C Preferred stock. We issued 170,000 shares of Series C Preferred for an aggregate purchase price of \$1,500,000. The Series C Preferred have an initial stated value of \$10.00 per share and liquidation preference over common stock. The Series C Preferred is convertible into shares of our common stock equal to the number of shares determined by dividing the sum of the stated value and any accrued and unpaid dividends by the conversion price of \$1.00. The Series C Preferred accrues dividends at a rate of 8 percent per annum, payable at our election either in cash or shares of the Company's common stock. The issuance of the Series C Preferred generated a beneficial conversion feature (BCF), which arises when a debt or equity security is issued with an embedded conversion option that is beneficial to the investor or in the money at inception because the conversion option has an effective strike price that is less than the market price of the underlying stock at the commitment date. The fair value of the common stock into which the Series C Preferred was convertible exceeded the allocated purchase price of the Series C Preferred at the closing dates by greater than the allocated purchase price. Therefore, the BCF was the purchase price of the Series C Preferred (\$1.5 million) and was allocated to Additional Paid-in Capital, resulting in a discount on the Series C Preferred Stock. As the Series C Preferred Stock is immediately convertible, the Company accreted the discount on the date of issuance. The accretion to the carrying value of the Series C Preferred is treated as a deemed dividend, recorded as a charge to Additional Paid in Capital and deducted in computing earnings per share. The carrying value as of August 30, 2022 and December 31, 2021 amounted to \$1,698,000 and \$1,630,000, respectively. On September 1, 2022, the investor converted Series C into 1.7 million shares of common stock and accrued dividends in the amount of approximately 0.3 million shares of common stock.

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### Series D Convertible Preferred Stock

In June 2021, the Company received \$1.5 million from an unrelated third party as an advance on a proposed sale of Series D Redeemable Convertible Preferred Stock. As of September 30, 2021, the Company was in the process of negotiating and finalizing the terms of the arrangement. As the agreement was not finalized as of September 30, 2021, the \$1.5 million advance was classified as Advance from Investor within liabilities on the balance sheet at that time. As of December 31, 2021, the terms had been finalized, the investment was classified as equity, similar to the prior Convertible Preferred issuances, above. The issuance of the Series D Preferred generated a beneficial conversion feature (BCF), which arises when a debt or equity security is issued with an embedded conversion option that is beneficial to the investor or in the money at inception because the conversion option has an effective strike price that is less than the market price of the underlying stock at the commitment date. The fair value of the common stock into which the Series D Preferred was convertible exceeded the allocated purchase price fair value of the Series D Preferred Stock at the closing dates by approximately \$0.3 million as of the closing dates. We recognized this BCF by allocating the intrinsic value of the conversion option, to additional paid-in capital, resulting in a discount on the Series D Preferred. As the Series D Preferred is immediately convertible, the Company accreted the discount on the date of issuance. The accretion was recognized as dividend equivalents. Holders of the Series D Preferred will be entitled to receive quarterly dividends at the annual rate of 8% of the stated value (\$10 per

share). Such dividends may be paid in cash or in shares of common stock at the Company's discretion. In addition, 128,000 warrants to purchase the Company's common stock were issued with respect to this transaction. These warrants are exercisable until December 1, 2024, at the lower of \$1.75 per share or 85% of the variable price based on the ten day volume weighted average price ("VWAP") of the Company's common stock. The value of these warrants was determined to be \$230,000 and recorded as an allocation of paid in capital associated with this transaction. The carrying value as of September 1, 2022 and December 31, 2021 amounted to \$1,580,000 and \$1,512,000, respectively. On September 1, 2022, the investor converted Preferred Series D into 1.7 million shares of common stock and received accrued dividends of approximately 0.1 million shares of common stock.

## Warrants

A summary of the Company's stock warrant activity is as follows:

	Shares under Option	Weighted Average Exercise Price
Balance at December 31, 2022	128,000	\$ 1.75
Granted	-	-
Cancelled/Expired	-	-
Exercised/Issued	128,000	1.75
Outstanding at December 31, 2023	-	-
Exercisable at December 31, 2023	-	\$ -

During November 2023, the Company issued 675,183 shares of its common stock to retire all outstanding warrants, as well as a \$ 317,000 deferred liability. The warrants were converted in a cashless transaction based on the terms of the warrants. The Board of Directors determined the conversion price of the deferred liability would be consistent with the approach listed above, 84% of the volume weighted average price during the relevant time period. Both of these items are fully resolved upon this transaction.

## 13. Other Shareholders' Equity

### Common Stock

During 2020, 400,000 shares of our common stock were issued to LF related to the acceleration of closings in our Series A Offering, and an additional 200,000 shares were issued to Garden State Securities in its representation of the Company in the Series A Offering.

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### Restricted Stock

In 2020, 15,000 shares of restricted stock vested to Mr. Hyland, former Chief Executive Officer, pursuant to the terms of the grant related to his employment with the Company. There were no other shares of restricted stock outstanding during 2020 or 2021. During 2022, 250,000 shares of restricted stock were granted to the incoming Chief Executive Officer pursuant to an employment agreement. 25,000 of those shares are to vest immediately and the remaining shares are schedule to vest upon the achievement of certain performance conditions. Each of three independent directors received grants of 5,000 shares that were fully vested as of December 31, 2022. Additionally, the Chief Operating Officer was granted 100,000 shares, 20,000 of which vested over 12 months while the remaining 80,000 had the same performance conditions as the Chief Executive Officer. During each of 2023 and 2022, the performance condition related to 56,250 shares for the Chief Executive Officer and 20,000 shares for the Chief Operating Officer was met, and these shares vested. As of December 31, 2023, performance conditions related to 112,500 shares for the Chief Executive Officer and 40,000 shares for the Chief Operating Officer remain unvested.

### Stock Options

The Compensation Committee ("Committee") administers the Company's stock-based plans. The exercise price of the stock options shall be fixed by the Committee at whatever price the Committee may determine in good faith. Unless the Committee determines otherwise, options generally had a 4-year term with a 3-year vesting schedule. Unless the Committee provides otherwise, options terminate upon the termination of a participant's employment, except that the participant may exercise an option to the extent it was exercisable on the date of termination and for a period of time after termination.

In 2009, the shareholders of the Corporation approved, a 2009 Stock Incentive Plan ("2009 Plan"). The 2009 Plan and subsequent awards categorized as inducement of employment authorized the issuance of up to 510,000 shares of stock or options to purchase stock of the Company (including cancelled shares reissued under the plan.)

On June 8, 2018, our shareholders approved the 2018 Stock Incentive Plan ("2018 Plan"). The 2018 Plan authorized the issuance of up to 300,000 shares of our common stock in the form of equity-based awards. Because no registration on Form S-8 was filed for these additional shares within 12 months of approval by our shareholders, those additional shares are not available for issuance in the normal course. On June 17, 2022, our shareholders approved of the issuance of 500,000 shares to this plan.

The Company, at the discretion of the board, may issue options in excess of the total available, if options related to that stock plan are cancelled. In some cases, not all shares that are available to a stock plan are issued, as the Company is unable to issue options to a previous plan when a new plan is in place.

The Company recognized share based compensation expense of approximately \$ 20,000 and \$160,000 in 2023 and 2022, respectively. As of December 31, 2023 and 2022, respectively, there was no unrecognized compensation expense related to non-vested stock option grants. There were approximately 132,000 performance-based grants for which the underlying performance threshold had not been met as of December 31, 2023.

### Warrants

In connection with the Series A Offering, in 2020 the Company issued 792,660 warrants to purchase 792,660 shares of the Company's common stock for \$ 1 per share. During 2020, 597,500 warrants were exercised in cash-less exchange for 391,308 shares of the Company's common stock. In January and February 2021, the remaining 195,160 warrants were exercised in a cash-less exchange for 103,104 shares of the Company's common stock.

The Series D Offering also included warrants to purchase up to 128,572 shares of the Company's common stock at an exercise price of the lower of \$ 1.75 per share or 85% of the lowest daily volume-weighted average price of the Common Stock during the 10 trading days prior to the date of exercise. If unexercised, these warrants would have expired December 1, 2024. As noted above, the warrants were exercised and converted into common shares during 2023, leaving no outstanding warrants as of December 31, 2023.

The Company has applied the Black-Scholes model to value stock-based awards. That model incorporates various assumptions in the valuation of stock-based awards relating to the risk-free rate of interest to be applied, the estimated dividend yield and expected volatility of the Company's Common Stock. The risk-free rate of interest is the U.S. Treasury yield curve for periods within the expected term of the option at the time of grant. The expected volatility is based on historical volatility of the Company's Common Stock.

The valuation assumptions we have applied to determine the value of warrants granted in 2021 and 2020 were as follows:

Historical stock price volatility: The Company used the weekly closing price to calculate historical annual volatility.

Risk-free interest rate: The Company bases the risk-free interest rate on the rate payable on US treasury securities with a similar maturity in effect at the time of the grant, which was 4.50% and 3.80%, during 2023 and 2022, respectively.

Expected life: The expected life of the warrants represents the period of time warrants were expected to be outstanding. The Company used an expected life of 5 years for all warrants granted during 2023 and 2022.

Dividend yield: The estimate for dividend yield is 0%, as the Company did not issue dividends during 2023 or 2022 and does not expect to do so in the foreseeable future.

Estimated forfeitures: When estimating forfeitures, the Company considers historical terminations as well as anticipated retirements.

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A summary of the Company's stock options, warrants and related information, is as follows:

	Options	Weighted Average Exercise Price	Warrants	Weighted Average Exercise Price
<b>Balance at January 1, 2022</b>	-	\$ -	128,572	\$ 1.75
Granted	-	-	-	-
Cancelled/Expired	-	-	-	-
Exercised/Issued	-	-	-	-
<b>Balance at December 31, 2022</b>	-	-	128,572	\$ 1.75
Granted	-	-	-	-
Cancelled/Expired	-	-	-	-
Exercised/Issued	-	-	128,572	\$ 1.75
<b>Balance at December 31, 2023</b>	-	-	-	\$ -
<b>Exercisable at December 31, 2023</b>	-	-	-	\$ -

As there are no active stock options, there is no aggregate intrinsic value (the difference between the closing price of the Company's common stock as of December 31, 2023 and 2022, respectively, and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all the holders exercised their options on December 31, 2023 and 2022, respectively. The warrants have an intrinsic value of none and \$230,000 as of December 31, 2023 and 2022, respectively.

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As of December 31, 2023, the Company reserved no shares of its common stock for the exercise of warrants, and preferred stock.

#### 14. Earnings Per Share

Basic earnings per share is computed by dividing net loss attributable to Yunhong Green CTI Ltd. Common shareholders by the weighted average number of shares of common stock outstanding during each period.

Diluted earnings per share is computed by dividing net loss attributable to Yunhong Green CTI Ltd. Common shareholders by the weighted average number of shares of common stock and equivalents (stock options and warrants), unless anti-dilutive, during each period.

<b>Consolidated earnings per share</b>	<b>2023</b>	<b>2022</b>
Loss from continuing operations	\$ (235,000)	\$ (1,467,000)
Loss attributable to noncontrolling interest	-	-
Deemed dividends on preferred stock and amortization of beneficial conversion feature	(11,000)	(584,000)
Loss from continuing operations attributable to Yunhong Green CTI Ltd common shareholders	\$ (246,000)	\$ (2,051,000)
(Gain)/loss attributable to noncontrolling interest	-	-
Loss from discontinued operations attributable to Yunhong Green CTI Ltd common shareholders	\$ -	\$ -
<b>Basic and Diluted loss per common share:</b>		
Continuing operations	\$ (0.01)	\$ (0.22)
Discontinued operations	-	-
	\$ (0.01)	\$ (0.22)

Basic and Diluted weighted average number of shares and equivalent shares of common stock outstanding	19,526,633	9,301,888
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#### 15. Product and Geographic Segment Data

The Company's operations consist of a single business segment which designs, manufactures, and distributes film products.

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The following table provides a breakdown of product net sales from operations in each of the years indicated (in thousands):

Product Category	Twelve Months Ended			
	December 31, 2023		December 31, 2022	
	\$ (000) Omitted	% of Net Sales	\$ (000) Omitted	% of Net Sales
Foil Balloons	11,769,000	66%	10,858,000	60%
Film Products	928,000	5%	2,036,000	11%
Other	5,107,000	29%	5,154,000	29%
<b>Total</b>	<b>17,804,000</b>	<b>100%</b>	<b>18,048,000</b>	<b>100%</b>

#### 16. Contingencies

In the ordinary conduct of our business, we are from time to time subject to lawsuits, investigations and claims, including environmental claims and employee-related matters. Although we cannot predict with certainty the ultimate resolution of lawsuits, investigations and claims asserted against us, including civil penalties or other enforcement actions, we do not believe that any currently pending legal proceeding or proceedings to which we are a party will have a material adverse effect on our business, financial condition or results of operations.

#### 17. 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.

## 18. Subsequent Events

During 2023, we received \$1.5 million of investor funds intended as an equity investment. An additional \$ 0.5 million was received during January 2024. During the first quarter of 2024, per agreement between then parties, these investment deposit liabilities became Convertible Preferred Series E and F in the amount of \$1.3 million and \$0.7 million, respectively.

We had a \$1.3 million note payable to John Schwan due on December 31, 2023. Pursuant to agreement between the parties, we repaid the note in three installments: \$ 0.5 million on January 2, 2024, an additional \$0.5 million on January 16, 2024, and the remainder later during 2024.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in the Registration Statements of Yunhong CTI, Ltd., and Subsidiaries on Form S-8 (File Nos. 333-76006, 333-76008 and 333-169442) of our report dated April 12, 2023, with respect to our audit of the consolidated financial statements of Yunhong CTI, Ltd., as of December 31, 2022, which is included in this Annual Report on Form 10-K of Yunhong CTI, Ltd. Our report on the consolidated financial statements includes an explanatory paragraph expressing substantial doubt regarding Yunhong CTI, Ltd.'s ability to continue as a going concern.

/s/ BF Borgers CPA PC

**BF Borgers CPA PC (PCAOB ID 5041)**

We have served as the Company's auditor since 2022

Lakewood, CO

March 29, 2024

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**CERTIFICATION**

I, Frank Cesario, certify that:

1. I have reviewed this annual report on Form 10-K of Yunhong CTI Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 29, 2024

/s/ Frank Cesario

Frank Cesario, Chief Executive Officer

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**CERTIFICATION**

I, Frank Cesario, certify that:

1. I have reviewed this annual report on Form 10-K of Yunhong CTI Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 29, 2024

/s/ Frank Cesario

Frank Cesario  
Acting Chief Financial Officer

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**CERTIFICATION PURSUANT TO**

**18 U.S.C. SECTION 1350,**

**AS ADOPTED PURSUANT TO**

**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of Yunhong CTI Ltd. (the "Company") for the fiscal year ended December 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Frank Cesario, as Chief Executive Officer and Acting Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

*/s/ Frank Cesario*

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Frank Cesario  
Chief Executive Officer

Date: March 29, 2024

*/s/ Frank Cesario*

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Frank Cesario  
Acting Chief Financial Officer

Date: March 29, 2024

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and is not being "filed" as part of the Form 10-K or as a separate disclosure document for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to liability under that section. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act except to the extent that this Exhibit 32 is expressly and specifically incorporated by reference in any such filing.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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**Yunhong Green CTI Ltd.**  
**Executive Compensation Recovery Policy**

This policy covers Yunhong Green CTI Ltd's ("YGCTI") Covered Officers and explains when YGCTI will be required or authorized, as applicable, to seek recovery of Incentive Compensation awarded or paid to Covered Officers. Please refer to Exhibit A attached hereto (the "Definitions Exhibit") for the definitions of capitalized terms used throughout this Policy.

1. **Miscalculation of Financial Performance Measure Results.** In the event of a Restatement, YGCTI will seek to recover, reasonably promptly, all Recoverable Incentive Compensation from a Covered Officer during the Applicable Period. Such recovery, in the case of a Restatement, will be made without regard to any individual knowledge or responsibility related to the Restatement or the Recoverable Incentive Compensation. Notwithstanding the foregoing, if YGCTI is required to undertake a Restatement, YGCTI will not be required to recover the Recoverable Incentive Compensation if the Compensation Committee determines it impracticable to do so, after exercising a normal due process review of all the relevant facts and circumstances.

YGCTI will seek to recover all Recoverable Incentive Compensation that was awarded or paid in accordance with the definition of "Recoverable Incentive Compensation" set forth on the Definitions Exhibit. If such Recoverable Incentive Compensation was not awarded or paid on a formulaic basis, YGCTI will seek to recover the amount that the Compensation Committee determines in good faith should be recouped.

2. **Legal and Compliance Violations.** Compliance with the law and YGCTI's Standards of Business Conduct and other corporate policies is a pre-condition to earning Incentive Compensation. If YGCTI in its sole discretion concludes that a Covered Officer (1) committed a significant legal or compliance violation in connection with the Covered Officer's employment, including a violation of YGCTI's corporate policies or YGCTI's Standards of Business Conduct (each, "Misconduct"), or (2) was aware of or willfully blind to Misconduct that occurred in an area over which the Covered Officer had supervisory authority, YGCTI may, at the direction of the Compensation Committee, seek recovery of all or a portion of the Recoverable Incentive Compensation awarded or paid to the Covered Officer for the Applicable Period in which the violation occurred. In addition, YGCTI may, at the direction of the Compensation Committee, conclude that any unpaid or unvested Incentive Compensation has not been earned and must be forfeited.

In the event of Misconduct, YGCTI may seek recovery of Recoverable Incentive Compensation even if the Misconduct did not result in an award or payment greater than would have been awarded or paid absent the Misconduct.

In the event of Misconduct, in determining whether to seek recovery and the amount, if any, by which the payment or award should be reduced, the Compensation Committee may consider—among other things— the seriousness of the Misconduct, whether the Covered Officer was unjustly enriched, whether seeking the recovery would prejudice YGCTI's interests in any way, including in a proceeding or investigation, and any other factors it deems relevant to the determination.

3. **Other Actions.** The Compensation Committee may, subject to applicable law, seek recovery in the manner it chooses, including by seeking reimbursement from the Covered Officer of all or part of the compensation awarded or paid, by electing to withhold unpaid compensation, by set-off, or by rescinding or canceling unvested stock.

In the reasonable exercise of its business judgment under this Policy, the Compensation Committee may in its sole discretion determine whether and to what extent additional action is appropriate to address the circumstances surrounding a Restatement or Misconduct to minimize the likelihood of any recurrence and to impose such other discipline as it deems appropriate.

YGCTI Corporation

1 | Executive Compensation Recovery Policy

4. **No Indemnification or Reimbursement.** Notwithstanding the terms of any other policy, program, agreement or arrangement, in no event will YGCTI or any of its affiliates indemnify or reimburse a Covered Officer for any loss under this Policy and in no event will YGCTI or any of its affiliates pay premiums on any insurance policy that would cover a Covered Officer's potential obligations with respect to Recoverable Incentive Compensation under this Policy.
5. **Administration of Policy.** The Compensation Committee will have full authority to administer this Policy. Actions of the Compensation Committee pursuant to this Policy will be taken by the vote of a majority of its members. The Compensation Committee will, subject to the provisions of this Policy and Rule 10D-1 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and YGCTI's applicable exchange listing standards, make such determinations and interpretations and take such actions in connection with this Policy as it deems necessary, appropriate or advisable. All determinations and interpretations made by the Compensation Committee will be final, binding and conclusive.
6. **Other Claims and Rights.** The remedies under this Policy are in addition to, and not in lieu of, any legal and equitable claims YGCTI or any of its affiliates may have or any actions that may be imposed by law enforcement agencies, regulators, administrative bodies, or other authorities. Further, the exercise by the Compensation Committee of any rights pursuant to this Policy will not impact any other rights that YGCTI or any of its affiliates may have with respect to any Covered Officer subject to this Policy.
7. **Condition to Eligibility for Incentive Compensation.** All Incentive Compensation subject to this Policy will not be earned, even if already paid, until the Policy ceases to apply to such Incentive Compensation and any other vesting conditions applicable to such Incentive Compensation are satisfied.
8. **Amendment; Termination.** The Board or the Compensation Committee may amend or terminate this Policy at any time.
9. **Effectiveness.** Except as otherwise determined in writing by the Compensation Committee, this Policy will apply to any Incentive Compensation that (a) in the case of any Restatement, is Received by Covered Officers prior to, on or following the Effective Date, and (b) in the case of Misconduct, is awarded or paid to a Covered Officer on or after the Effective Date. This Policy will survive and continue notwithstanding any termination of a Covered Officer's employment with YGCTI and its affiliates.
10. **Successors.** This Policy shall be binding and enforceable against all Covered Officers and their successors, beneficiaries, heirs, executors, administrators, or other legal representatives.
11. **Governing Law.** To the extent not preempted by U.S. federal law, this Policy will be governed by and construed in accordance with the laws of the State of Illinois, without reference to principles of conflict of laws.

YGCTI Corporation

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**EXHIBIT A**

**DEFINITIONS**

"Applicable Period" means (a) in the case of any Restatement, the three completed fiscal years of YGCTI immediately preceding the earlier of (i) the date the Board, a committee of the Board, or the officer or officers of YGCTI authorized to take such action if Board action is not required, concludes (or reasonably should have concluded) that a Restatement is required or (ii) the date a regulator, court or other legally authorized entity directs YGCTI to undertake a Restatement, and (b) in the case of any Misconduct, such period as the Compensation Committee or Board determines to be appropriate in light of the scope and nature of the Misconduct. The "Applicable Period" also includes any transition period (that results from a change in YGCTI's fiscal year) within or immediately following the three completed fiscal years identified in the preceding sentence.

"Board" means the Board of Directors of YGCTI.

"Compensation Committee" means YGCTI's committee of independent directors responsible for executive compensation decisions, or in the absence of such a committee, a majority of the independent directors serving on the Board.

"Covered Officer" means (a) in the case of any Restatement, any person who is, or was at any time, during the Applicable Period, an Executive Officer of YGCTI or an SLT Member, and (b) in the case of any Misconduct, any person who was an Executive Officer or an SLT Member at the time of the Misconduct. For the avoidance of doubt, a Covered Officer may include a former Executive Officer or SLT Member that left YGCTI, retired, or transitioned to an employee role (including after serving as an Executive Officer in an interim capacity) during the Applicable Period.

"Effective Date" means October 1, 2023.

"Executive Officer" means YGCTI's president, principal financial officer, principal accounting officer (or if there is no such accounting officer, the controller), any vice-president in charge of a principal business unit, division, or function (such as sales, administration, or finance), any other officer who performs a policy-making function, or any other person (including an officer of YGCTI's parent(s) or subsidiaries) who performs similar policy-making functions for YGCTI.

"Financial Performance Measure" means a measure that is determined and presented in accordance with the accounting principles used in preparing YGCTI's financial statements (including "non-GAAP" financial measures, such as those appearing in YGCTI's earnings releases or Management Discussion and Analysis), and any measure that is derived wholly or in part from such measure. Stock price and total shareholder return (and any measures derived wholly or in part therefrom) shall be considered Financial Performance Measures.

"Impracticable." The Compensation Committee may determine in good faith that recovery of Recoverable Incentive Compensation is "Impracticable" (a) in the case of any Restatement, if: (i) pursuing such recovery would violate home country law of the jurisdiction of incorporation of the Company where that law was adopted prior to November 28, 2022 and YGCTI provides an opinion of counsel to that effect acceptable to YGCTI's listing exchange; (ii) the direct expense paid to a third party to assist in enforcing this Policy would exceed the Recoverable Incentive Compensation and YGCTI has (A) made a reasonable attempt to recover such amounts and (B) provided documentation of such attempts to recover to YGCTI's applicable listing exchange; or (iii) recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of YGCTI, to fail to meet the requirements of the Internal Revenue Code of 1986, as amended, and (b) in the case of any Misconduct, in its sole discretion, in light of the scope and nature of the Misconduct.

"Incentive Compensation" means any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Performance Measure. Incentive Compensation does not include any base salaries (except with respect to any salary increases earned wholly or in part based on the attainment of a Financial Performance Measure performance goal); bonuses paid solely at the discretion of the Compensation Committee or Board that are not paid from a "bonus pool" that is determined by satisfying a Financial Performance Measure performance goal; bonuses paid solely upon satisfying one or more subjective standards and/or completion of a specified employment period; non-equity incentive plan awards earned solely upon satisfying one or more strategic measures or operational measures; and equity awards that vest solely based on the passage of time and/or attaining one or more non-Financial Performance Measures. Notwithstanding the foregoing, in the case of any Misconduct, Incentive Compensation will include all forms of cash and equity incentive compensation, including, without limitation, cash bonuses and equity awards that are received or vest solely based on the passage of time and/or attaining one or more non-Financial Performance Measures.

"Received." Incentive Compensation is deemed "Received" in YGCTI's fiscal period during which the Financial Performance Measure specified in the Incentive Compensation award is attained, even if the payment or grant of the Incentive Compensation occurs after the end of that period.

"Recoverable Incentive Compensation" means (a) in the case of any Restatement, the amount of any Incentive Compensation (calculated on a pre-tax basis) Received by a Covered Officer during the Applicable Period that is in excess of the amount that otherwise would have been Received if the calculation were based on the Restatement, and (b) in the case of any Misconduct, the amount of any Incentive Compensation (calculated on a pre-tax basis) awarded or paid to a Covered Officer during the Applicable Period that the Compensation Committee determines, in its sole discretion, to be appropriate in light of the scope and nature of the Misconduct. For the avoidance of doubt, in the case of any Restatement, Recoverable Incentive Compensation does not include any Incentive Compensation Received by a person (i) before such person began service as a Covered Officer and (ii) who did not serve as a Covered Officer at any time during the performance period for that Incentive Compensation. For the avoidance of doubt, in the case of any Restatement, Recoverable Incentive Compensation may include Incentive Compensation Received by a person while serving as an employee if such person previously served as a Covered Officer and then transitioned to an employee role. For Incentive Compensation based on (or derived from) stock price or total shareholder return where the amount of Recoverable Incentive Compensation is not subject to mathematical recalculation directly from the information in the applicable Restatement, the amount will be determined by the Compensation Committee based on a reasonable estimate of the effect of the Restatement on the stock price or total shareholder return upon which the Incentive Compensation was Received (in which case, YGCTI will maintain documentation of such determination of that reasonable estimate and provide such documentation to YGCTI's applicable listing exchange).

"Restatement" means an accounting restatement of any of YGCTI's financial statements filed with the Securities and Exchange Commission under the Exchange Act, or the Securities Act of 1933, as amended, due to YGCTI's material noncompliance with any financial reporting requirement under U.S. securities laws, regardless of whether YGCTI or Covered Officer misconduct was the cause for such restatement. "Restatement" includes any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements (commonly referred to as "Big R" restatements), or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (commonly referred to as "little r" restatements).

"SLT Member" means any person who has been designated as a member of YGCTI's Senior Leadership Team, other than an Executive Officer.

Updated December 1, 2023