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

FORM 10-Q

(Mark one)
☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended November 30, 2016

☐ **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: 001-11038

NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**41-0857886**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4201 Woodland Road
P.O. Box 69
Circle Pines, Minnesota 55014
(Address of principal executive offices) (Zip code)

(763) 225-6600
(Registrant's telephone number including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ☒ NO ☐

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☒

As of January 12, 2017, there were 4,524,970 shares of common stock of the registrant outstanding.

NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION
FORM 10-Q
November 30, 2016

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This quarterly report on Form 10-Q contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and are subject to the safe harbor created by those sections. For more information, see "Part I. Financial Information – Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations – Forward-Looking Statements."

As used in this report, references to "NTIC," the "Company," "we," "our" or "us," unless the context otherwise requires, refer to Northern Technologies International Corporation and its wholly-owned and majority-owned subsidiaries, all of which are consolidated on NTIC's consolidated financial statements.

As used in this report, references to: (1) "NTIC China" refer to NTIC's wholly-owned subsidiary in China, NTIC (Shanghai) Co., Ltd.; (2) "NTI Europe" refer to NTIC's wholly-owned subsidiary in Germany, NTIC Europe GmbH; (3) "Zerust Mexico" refer to NTIC's wholly-owned subsidiary in Mexico, ZERUST-EXCOR MEXICO, S. de R.L. de C.V; (4) "Zerust Brazil" refer to NTIC's majority-owned Brazilian subsidiary, Zerust Prevenção de Corrosão S.A.; (5) "Natur-Tec India" refer to NTIC's majority-owned subsidiary in India, Natur-Tec India Private Limited; and (5) "NTI Asean" refer to NTIC's majority-owned holding company subsidiary, NTI Asean LLC, which is a holding company that holds investments in eight entities that operate in the Association of Southeast Asian Nations (ASEAN) region, including the following countries: China (although the joint venture agreements for the Chinese joint venture were terminated as of December 31, 2014 and liquidation of this joint venture is anticipated), Indonesia, South Korea, Malaysia, Philippines, Singapore, Taiwan and Thailand.

NTIC's consolidated financial statements do not include the accounts of any of its joint ventures. Except as otherwise indicated, references in this report to NTIC's joint ventures do not include any of NTIC's wholly-owned or majority-owned subsidiaries.

As used in this report, references to "EXCOR" refer to NTIC's joint venture in Germany, Excor Korrosionsschutz – Technologien und Produkte GmbH.

As used in this report, references to "Tianjin Zerust" refer to NTIC's former joint venture in China, Tianjin-Zerust Anticorrosion Co., Ltd.

All trademarks, trade names or service marks referred to in this report are the property of their respective owners.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS AS OF NOVEMBER 30, 2016 (UNAUDITED) AND AUGUST 31, 2016 (AUDITED)

	November 30, 2016	August 31, 2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,529,140	$ 3,395,274
Available for sale securities	1,745,968	2,243,864
Receivables:		
Trade excluding joint ventures, less allowance for doubtful accounts of $40,000 at November 30, 2016 and August 31, 2016	5,454,741	4,755,320
Trade joint ventures	700,518	791,903
Fees for services provided to joint ventures	1,422,105	1,406,587
Income taxes	120,539	215,905
Inventories	7,388,095	7,711,287
Prepaid expenses	640,699	422,031
Total current assets	20,001,805	20,942,171
PROPERTY AND EQUIPMENT, NET	7,183,663	7,275,872
OTHER ASSETS:		
Investments in joint ventures	20,052,432	19,840,774
Deferred income taxes	1,614,229	1,639,762
Patents and trademarks, net	1,307,040	1,278,597
Other	49,831	92,874
Total other assets	23,023,532	22,852,007
Total assets	$ 50,209,000	$ 51,070,050
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 2,959,284	$ 2,753,903
Accrued liabilities:		
Payroll and related benefits	637,106	938,363
Other	521,623	301,836
Total current liabilities	4,118,013	3,994,102
COMMITMENTS AND CONTINGENCIES (Note 13)		
EQUITY:		
Preferred stock, no par value; authorized 10,000 shares; none issued and outstanding	—	—
Common stock, $0.02 par value per share; authorized 10,000,000 shares; issued and outstanding 4,530,870 and 4,533,416, respectively	90,617	90,668
Additional paid-in capital	13,857,777	13,798,567
Retained earnings	33,952,995	33,655,357
Accumulated other comprehensive loss	(4,211,747)	(3,009,617)
Stockholders' equity	43,689,642	44,534,975
Non-controlling interest	2,401,345	2,540,973
Total equity	46,090,987	47,075,948
Total liabilities and equity	$ 50,209,000	$ 51,070,050

See notes to consolidated financial statements.

NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
FOR THE THREE MONTHS ENDED NOVEMBER 30, 2016 AND 2015

	Three Months Ended	
	November 30, 2016	**November 30, 2015**
NET SALES:		
Net sales, excluding joint ventures	$ 9,000,224	$ 6,501,410
Net sales, to joint ventures	701,799	523,027
Total net sales	9,702,023	7,024,437
Cost of goods sold	6,612,766	4,875,423
Gross profit	3,089,257	2,149,014
JOINT VENTURE OPERATIONS:		
Equity in income of joint ventures	1,274,004	983,753
Fees for services provided to joint ventures	1,315,591	1,485,429
Total joint venture operations	2,589,595	2,469,182
OPERATING EXPENSES:		
Selling expenses	2,039,084	1,525,083
General and administrative expenses	2,471,780	2,174,607
Research and development expenses	642,522	1,004,097
Total operating expenses	5,153,386	4,703,787
OPERATING INCOME (LOSS)	525,466	(85,591)
INTEREST INCOME	3,563	14,173
INTEREST EXPENSE	(4,623)	(4,726)
INCOME (LOSS) BEFORE INCOME TAX EXPENSE	524,406	(76,144)
INCOME TAX EXPENSE (BENEFIT)	117,713	(3,502)
NET INCOME (LOSS)	406,693	(72,642)
NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	109,054	161,709
NET INCOME (LOSS) ATTRIBUTABLE TO NTIC	$ 297,639	$ (234,351)
NET INCOME (LOSS) ATTRIBUTABLE TO NTIC PER COMMON SHARE:		
Basic	$ 0.07	$ (0.05)
Diluted	$ 0.07	$ (0.05)
WEIGHTED AVERAGE COMMON SHARES ASSUMED OUTSTANDING:		
Basic	4,531,950	4,538,371
Diluted	4,558,878	4,538,371

See notes to consolidated financial statements.

NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)
FOR THE THREE MONTHS ENDED NOVEMBER 30, 2016 AND 2015

	Three Months Ended	
	November 30, 2016	November 30, 2015
NET INCOME (LOSS)	$ 406,693	$ (72,642)
OTHER COMPREHENSIVE LOSS– FOREIGN CURRENCY TRANSLATION ADJUSTMENT	(1,250,812)	(865,128)
COMPREHENSIVE LOSS	(844,119)	(937,770)
COMPREHENSIVE INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	60,372	164,775
COMPREHENSIVE LOSS ATTRIBUTABLE TO NTIC	$ (904,491)	$ (1,102,545)

See notes to consolidated financial statements.

NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
THREE MONTHS ENDED NOVEMBER 30, 2016 AND 2015

	Three Months Ended	
	November 30, 2016	November 30, 2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 406,693	$ (72,642)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Stock-based compensation	97,916	121,854
Depreciation expense	193,896	159,048
Amortization expense	29,759	29,758
Equity in income from joint ventures	(1,274,004)	(983,753)
Deferred income taxes	25,242	—
Dividends received from joint ventures	—	320,786
Changes in current assets and liabilities:		
Receivables:		
Trade, excluding joint ventures	(762,525)	363,381
Trade, joint ventures	91,385	45,761
Fees for services provided to joint ventures	(15,518)	(46,892)
Income taxes	84,922	(133,668)
Inventories	274,437	(180,185)
Prepaid expenses and other	(180,021)	(153,831)
Accounts payable	378,397	258,792
Income tax payable	(102,314)	1,783
Accrued liabilities	(172,691)	(480,440)
Net cash used in operating activities	(924,426)	(750,248)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property and equipment	(112,589)	(264,188)
Proceeds from the sale of available for sale securities	497,896	1,498,574
Additions to patents	(58,202)	(12,599)
Net cash provided by investing activities	327,105	1,221,787
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividend received by non-controlling interest	(200,000)	—
Repurchase of common stock	(71,712)	(47,669)
Proceeds from employee stock purchase plan	32,955	34,963
Net cash used in financing activities	(238,757)	(12,706)
EFFECT OF EXCHANGE RATE CHANGES ON CASH:	(30,056)	(10,799)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(866,134)	448,034
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	3,395,274	2,623,981
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 2,529,140	$ 3,072,015

See notes to consolidated financial statements.

1. INTERIM FINANCIAL INFORMATION

In the opinion of management, the accompanying unaudited consolidated financial statements contain all necessary adjustments, which are of a normal recurring nature, and present fairly the consolidated financial position of Northern Technologies International Corporation and its subsidiaries (the Company) as of November 30, 2016 and August 31, 2016 and the results of their operations for the three months ended November 30, 2016 and 2015 and their cash flows for the three months ended November 30, 2016 and 2015, in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

These consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes contained in the Company's annual report on Form 10-K for the fiscal year ended August 31, 2016. These consolidated financial statements also should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section appearing in this report.

Operating results for the three months ended November 30, 2016 are not necessarily indicative of the results that may be expected for the full fiscal year ending August 31, 2017.

The Company evaluates events occurring after the date of the consolidated financial statements requiring recording or disclosure in the consolidated financial statements.

Certain amounts reported in the consolidated financial statements for the previous reporting period have been reclassified to conform to the current period presentation. Expenses previously recorded as "Expenses incurred in support of joint ventures" have been reclassified as "General and administrative expenses" based on the reduction in direct costs associated with supporting the joint ventures.

2. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board (FASB) issued *Revenue from Contracts with Customers, Topic 606* (Accounting Standards Update (ASU) No. 2014-09), which provides a framework for the recognition of revenue, with the objective that recognized revenues properly reflect amounts an entity is entitled to receive in exchange for goods and services. This guidance, which includes additional disclosure requirements regarding revenue, cash flows and obligations related to contracts with customers, was originally to be effective for the Company beginning in fiscal year 2018. In July 2015, the FASB confirmed a one-year deferral of the effective date of the new revenue standard which also allows early adoption as of the original effective date. The updated guidance will be effective for the Company's first quarter of 2019. The Company is currently evaluating the impact of adopting ASU 2014-09 on its consolidated financial statements, but believes there will be no material impact.

In July 2015, the FASB issued ASU No. 2015-11, "*Inventory*," which modifies the subsequent measurement of inventories recorded under a first-in-first-out or average cost method. Under the new standard, such inventories are required to be measured at the lower of cost and net realizable value. The new standard is effective for the Company's fiscal year 2018, with prospective application. The Company does not expect the adoption of the provisions of ASU 2015-11 to have a material impact on its consolidated financial statements.

In November 2015, FASB issued ASU 2015-17, *Income Taxes (Topic 740) Balance Sheet Classification of Deferred Taxes* which requires that deferred tax assets and liabilities be classified as noncurrent in a classified balance sheet. The amendment takes effect for public entities for fiscal years beginning after December 15, 2017, with early adoption available. The Company adopted ASU 2015-17 as of August 31, 2016, however, there was no material impact on its consolidated financial statements.

During February 2016, the FASB issued ASU No. 2016-02, "*Leases*." ASU No. 2016-02 was issued to increase transparency and comparability among organizations by recognizing all lease transactions (with terms in excess of 12 months) on the balance sheet as a lease liability and a right-of-use asset (as defined). ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with earlier application permitted. Upon adoption, the lessee will apply the new standard retrospectively to all periods presented or retrospectively using a cumulative effect adjustment in the year of adoption. The Company is currently assessing the effect that ASU No. 2016-02 will have on its consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-07, "*Investments – Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting*." Among other things, the amendments in ASU 2016-07 eliminate the requirement that when an investment qualifies for use of the equity method as a result of an increase in the level of ownership interest or degree of influence, an investor must adjust the investment, results of operations, and retained earnings retroactively on a step-by-step basis as if the equity method had been in effect during all previous periods that the investment had been held. The amendments require that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor's previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. Therefore, upon qualifying for the equity method of accounting, no retroactive adjustment of the investment is required. The amendments require that an entity that has an available-for-sale equity security that becomes qualified for the equity method of accounting recognize through earnings the unrealized holding gain or loss in accumulated other comprehensive income at the date the investment becomes qualified for use of the equity method. The amendments are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. The amendments should be applied prospectively upon their effective date to increases in the level of ownership interest or degree of influence that result in the adoption of the equity method. Early adoption is permitted. The Company is currently assessing the impact that ASU 2016-07 will have on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, *Stock Compensation*, which is intended to simplify several aspects of the accounting for share-based payment award transactions. The guidance will be effective for the fiscal year beginning after December 15, 2016, including interim periods within that year. The Company is in the process of evaluating the impacts of the adoption of this ASU on its consolidated financial statements.

Although there are several other new accounting pronouncements issued or proposed by the FASB, which the Company has adopted or will adopt, as applicable, the Company does not believe any of these accounting pronouncements has had or will have a material impact on the Company's consolidated financial position or operating results.

3. INVENTORIES

Inventories consisted of the following:

	November 30, 2016	August 31, 2016
Production materials	$ 1,327,035	$ 1,452,396
Finished goods	6,061,060	6,258,891
	$ 7,388,095	$ 7,711,287

4. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following:

	November 30, 2016	August 31, 2016
Land	$ 310,365	$ 310,365
Buildings and improvements	6,560,668	6,528,252
Machinery and equipment	3,632,217	3,590,063
	10,503,250	10,428,680
Less accumulated depreciation	(3,319,587)	(3,152,808)
	$ 7,183,663	$ 7,275,872

5. PATENTS AND TRADEMARKS, NET

Patents and trademarks, net consisted of the following:

	November 30, 2016	August 31, 2016
Patents and trademarks	$ 2,633,635	$ 2,575,435
Less accumulated amortization	(1,326,595)	(1,296,838)
	$ 1,307,040	$ 1,278,597

Patent and trademark costs are amortized over seven years. Costs incurred related to patents and trademarks are capitalized until filed and approved, at which time the amounts capitalized to date are amortized and any further costs, including maintenance costs, are expensed as incurred. Amortization expense is estimated to approximate $120,000 in each of the next five fiscal years.

6. INVESTMENTS IN JOINT VENTURES

The financial statements of the Company’s foreign joint ventures are initially prepared using the accounting principles accepted in the respective joint ventures’ countries of domicile. Amounts related to foreign joint ventures reported in the below tables and the accompanying consolidated financial statements have subsequently been adjusted to conform with accounting principles generally accepted in the United States of America in all material respects. All material profits recorded on sales from the Company to its joint ventures and from joint ventures to other joint ventures have been eliminated for financial reporting purposes.

Financial information from the audited and unaudited financial statements of the Company’s joint ventures in Germany, Excor Korrosionsschutz – Technologien und Produkte GmbH (EXCOR), HARITA-NTI LTD (INDIA), ZERUST OY (FINLAND) and all of the Company’s other joint ventures, are summarized as follows:

	As of November 30, 2016				
	TOTAL	EXCOR	INDIA	FINLAND	All Other
Current assets	$ 49,972,755	$ 23,405,119	$ 4,278,839	$ 2,038,343	$ 20,250,454
Total assets	53,440,384	25,180,484	4,615,462	2,302,907	21,341,531
Current liabilities	13,028,054	3,220,529	1,242,944	583,354	7,981,227
Noncurrent liabilities	106,084	—	5,619	—	100,465
Joint ventures' equity	40,306,246	21,959,955	3,366,900	1,719,553	13,259,838
Northern Technologies International Corporation's share of joint ventures' equity	20,052,432	10,979,979	1,683,450	859,775	6,529,228
Northern Technologies International Corporation's share of joint ventures' undistributed earnings	$ 17,978,218	$ 10,949,074	$ 818,628	$ 839,775	$ 5,370,741
Northern Technologies International Corporation's dividends received from joint ventures	$ -	$ -	$ -	$ -	$ -

	Three Months Ended November 30, 2016				
	Total	EXCOR	INDIA	FINLAND	All Other
Net sales	$ 24,200,447	$ 9,208,524	$ 1,614,470	$ 929,868	$ 12,447,585
Gross profit	10,697,027	4,894,179	750,118	556,221	4,496,509
Net income	2,408,008	1,856,338	49,061	144,302	358,307
Northern Technologies International Corporation's share of equity in income of joint ventures	$ 1,274,004	$ 928,169	$ 99,163	$ 72,151	$ 174,521

	As of August 30, 2016				
	TOTAL	EXCOR	INDIA	FINLAND	All Other
Current assets	$ 48,922,924	$ 22,928,810	$ 4,027,016	$ 1,928,861	$ 20,038,237
Total assets	52,407,026	24,733,340	4,352,573	2,211,392	21,109,721
Current liabilities	12,433,700	3,485,213	1,097,231	546,506	7,304,730
Noncurrent liabilities	100,783	—	6,382	—	94,401
Joint ventures' equity	39,872,543	21,248,109	3,248,960	1,664,886	13,710,588
Northern Technologies International Corporation's share of joint ventures' equity	19,854,064	10,624,056	1,624,480	832,442	6,773,086
Northern Technologies International Corporation's share of joint ventures' undistributed earnings	$ 17,779,912	$ 10,593,151	$ 759,658	$ 812,442	$ 5,614,661
Northern Technologies International Corporation's dividends received from joint ventures	$ 5,503,314	$ 4,364,700	$ 326,023	$ 206,516	$ 606,075

	Three Months Ended November 30, 2015				
	Total	EXCOR	INDIA	FINLAND	All Other
Net sales	$ 21,871,209	$ 8,207,696	$ 1,469,977	$ 870,971	$ 11,322,565
Gross profit	9,648,081	4,153,477	693,340	520,124	4,281,140
Net income	1,961,922	1,536,247	85,741	113,300	226,634
Northern Technologies International Corporation's share of equity in income of joint ventures	$ 983,753	$ 768,123	$ 42,870	$ 56,650	$ 116,110

The Company did not make any joint venture investments during the three months ended November 30, 2016 and 2015.

7. CHINA OPERATIONS

Effective December 31, 2014, the Company terminated its joint venture agreements with its previous joint venture in China, Tianjin Zerust, began the process of liquidating the joint venture entity, and commenced operations in China through a wholly-owned subsidiary, NTIC (Shanghai) Co. Ltd. on January 1, 2015. Effective December 31, 2014, the Company's investment in Tianjin Zerust was reported at carrying value based on the Company's decreased level of influence over the entity, and the Company has reclassified previously unrecognized gains on foreign currency translation from accumulated other comprehensive income. Since it began the process of liquidating the joint venture entity on December 31, 2014, the Company has not received any proceeds from the assets of Tianjin Zerust. In addition, the Company has not received financial information or cooperation from its joint venture partner in determining the investment value. During the fourth quarter of fiscal 2016, the Company obtained additional information regarding the financial position of the investment through the legal proceedings that have been ongoing (See Note 13). These circumstances resulted in the Company concluding an indication of impairment existed and that the fair value of the investment was $0 as of August 31, 2016 based on accounting principles generally accepted in the United States of America. See Note 13 regarding ongoing litigation involving Tianjin Zerust.

8. CORPORATE DEBT

The Company has a revolving line of credit with PNC Bank of $3,000,000. No amounts were outstanding under the line of credit as of both November 30, 2016 and August 31, 2016. At the option of the Company, outstanding advances under the line of credit bear interest at either (a) an annual rate based on LIBOR plus 2.15% for the applicable LIBOR interest period selected by the Company or (b) at the rate publicly announced by PNC Bank from time to time as its prime rate. Interest is payable in arrears (a) for the portion of advances bearing interest under the prime rate on the last day of each month during the term thereof and (b) for the portion of advances bearing interest under the LIBOR option on the last day of the respective LIBOR interest period selected for such advance. Any unpaid interest is payable on the maturity date. The revolving line of credit is secured by cash, receivables and inventory.

The line of credit is governed under a loan agreement. The loan agreement contains standard covenants, including affirmative financial covenants, such as the maintenance of a minimum fixed charge coverage ratio, and negative covenants, which, among other things, limit the incurrence of additional indebtedness, loans and equity investments, disposition of assets, mergers and consolidations and other matters customarily restricted in such agreements. Under the loan agreement, the Company is subject to a minimum fixed charge coverage ratio of 1.10:1.00. As of November 30, 2016, the Company was in compliance with all debt covenants.

The revolving credit facility allows the Company to request that PNC Bank issue letters of credit up to $1,200,000. The Company did not have any letters of credit reserved against the available letters of credit balance as of November 30, 2016 and August 31, 2016 with PNC Bank. The availability of advances under the line of credit will be reduced by the face amount of any letter of credit issued and outstanding (whether or not drawn) under the revolving credit facility.

As of November 30, 2016 and August 31, 2016, the Company had $75,201 and $71,599, respectively, of letters of credit with JP Morgan Chase Bank that are performance based and set to expire between 2020 and 2022.

On January 11, 2017, the Company and PNC Bank extended the maturity date of the line of credit to January 7, 2018. All other terms of the line of credit and the loan agreement and other documents evidencing the line of credit remain the same.

9. STOCKHOLDERS' EQUITY

During the three months ended November 30, 2016, the Company repurchased and retired 5,575 shares of its common stock at a price of $12.87 per share. No stock options to purchase shares of common stock were exercised during the three months ended November 30, 2016.

The Company granted stock options under the Northern Technologies International Corporation Amended and Restated 2007 Stock Incentive Plan (the 2007 Plan) to purchase an aggregate of 56,677 shares of its common stock to various employees and directors during the three months ended November 30, 2016. The weighted average per share exercise price of the stock options is $13.40, which was equal to the fair market value of the Company's common stock on the date of grant.

During the three months ended November 30, 2015, the Company repurchased and retired 3,166 shares of its common stock at a price of $15.07 per share. No stock options to purchase shares of common stock were exercised during the three months ended November 30, 2015.

The Company granted stock options under the 2007 Plan to purchase an aggregate of 53,447 shares of its common stock to various employees and directors during the three months ended November 30, 2015. The weighted average per share exercise price of the stock options is $14.85, which is equal to the fair market value of the Company's common stock on the date of grant.

10. NET INCOME PER COMMON SHARE

Basic net income per common share is computed by dividing net income by the weighted average number of common shares outstanding. Diluted net income per share assumes the exercise of stock options using the treasury stock method, if dilutive.

The following is a reconciliation of the earnings per share computation for the three months ended November 30, 2016 and 2015:

	Three Months Ended	
Numerator:	November 30, 2016	November 30, 2015
Net income (loss) attributable to NTIC	$ 297,639	$ (234,351)
Denominator:		
Basic – weighted shares outstanding	4,531,950	4,538,371
Weighted shares assumed upon exercise of stock options	26,928	—
Diluted – weighted shares outstanding	4,558,878	4,538,371
Basic earnings (loss) per share:	$ 0.07	$ (0.05)
Diluted earnings (loss) per share:	$ 0.07	$ (0.05)

The dilutive impact summarized above relates to the periods when the average market price of the Company's common stock exceeded the exercise price of the potentially dilutive option securities granted. Earnings per common share were based on the weighted average number of common shares outstanding during the periods when computing the basic earnings per share. When dilutive, stock options are included as equivalents using the treasury stock market method when computing the diluted earnings per share.

Excluded from the computation of diluted income per share for the three months ended November 30, 2016 were options outstanding to purchase 211,564 shares of common stock. Excluded from the computation of diluted earnings per share for the three months ended November 30, 2015 were all options outstanding of 295,181 due to the Company's net loss for the period.

11. STOCK-BASED COMPENSATION

The Company has two stock-based compensation plans under which stock options and other stock-based awards have been granted, the Northern Technologies International Corporation Amended and Restated 2007 Stock Incentive Plan and the Northern Technologies International Corporation Employee Stock Purchase Plan (the ESPP). The Compensation Committee of the Board of Directors and the Board of Directors administer these plans.

The 2007 Plan provides for the grant of incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock, stock unit awards, performance awards and stock bonuses to eligible recipients to enable the Company and its subsidiaries to attract and retain qualified individuals through opportunities for equity participation in the Company, and to reward those individuals who contribute to the achievement of the Company's economic objectives. Subject to adjustment as provided in the 2007 Plan, up to a maximum of 800,000 shares of the Company's common stock are issuable under the 2007 Plan. Options granted under the 2007 Plan generally have a term of ten years and become exercisable over a three- or four-year period beginning on the one-year anniversary of the date of grant. Options are granted at per share exercise prices equal to the market value of the Company's common stock on the date of grant. The Company issues new shares upon the exercise of options. As of November 30, 2016, only stock options and stock bonuses had been granted under the 2007 Plan.

The maximum number of shares of common stock of the Company available for issuance under the ESPP is 100,000 shares, subject to adjustment as provided in the ESPP. The ESPP provides for six-month offering periods beginning on September 1 and March 1 of each year. The purchase price of the shares is 90% of the lower of the fair market value of common stock at the beginning or end of the offering period. This discount may not exceed the maximum discount rate permitted for plans of this type under Section 423 of the Internal Revenue Code of 1986, as amended. The ESPP is compensatory for financial reporting purposes.

The Company granted options to purchase an aggregate of 56,677 and 53,447 shares of its common stock during the three months ended November 30, 2016 and 2015, respectively. The fair value of option grants is determined at date of grant, using the Black-Scholes option pricing model with the assumptions listed below. The Company recognized compensation expense of $97,916 and $121,854 during the three months ended November 30, 2016 and 2015, respectively, related to the options that vested during such time period. As of November 30, 2016, the total compensation cost for nonvested options not yet recognized in the Company's consolidated statements of operations was $533,148, net of estimated forfeitures. Stock-based compensation expense of $293,748 is expected through the remainder of fiscal year 2017, and $159,600 and $79,800 is expected to be recognized during fiscal 2018 and fiscal 2019, respectively, based on outstanding options as of November 30, 2016. Future option grants will impact the compensation expense recognized. Stock-based compensation expense is included in general and administrative expense on the consolidated statements of operations.

The Company currently estimates a ten percent forfeiture rate for stock options and continually reviews this estimate for future periods.

The fair value of each option grant is estimated on the grant date using the Black-Scholes option-pricing model with the following assumptions and results for the grants:

	November 30,	
	2016	**2015**
Dividend yield	0.00%	0.00%
Expected volatility	46.4%	46.0%
Expected life of option (in years)	10	10
Average risk-free interest rate	1.63%	1.63%

The weighted average per share fair value of options granted during the three months ended November 30, 2016 and 2015 was $7.69 and $8.48, respectively. The weighted average remaining contractual life of the options outstanding as of November 30, 2016 and 2015 was 7.15 years and 6.97 years, respectively.

12. GEOGRAPHIC AND SEGMENT INFORMATION

Segment Information

The Company's chief operating decision maker ("CODM") is its Chief Executive Officer. The Company's business is organized into two reportable segments: ZERUST® and Natur-Tec®. The Company has been selling its proprietary ZERUST® rust and corrosion inhibiting products and services to the automotive, electronics, electrical, mechanical, military and retail consumer markets for over 40 years, and more recently, has targeted and expanded into the oil and gas industry. The Company also sells a portfolio of bio-based and compostable (fully biodegradable) polymer resins and finished products under the Natur-Tec® brand.

The following table sets forth the Company's net sales for the three months ended November 30, 2016 and 2015 by segment:

	Three Months Ended	
	November 30, 2016	**November 30, 2015**
ZERUST® net sales	$ 8,084,678	$ 5,977,682
Natur-Tec® net sales	1,617,345	1,046,755
Total net sales	$ 9,702,023	$ 7,024,437

The following table sets forth the Company's cost of goods sold for the three months ended November 30, 2016 and 2015 by segment:

	November 30, 2016	**% of Product Sales***	**November 30, 2015**	**% of Product Sales***
Direct cost of goods sold				
ZERUST®	$ 4,699,537	58.1%	$ 3,364,555	56.3%
Natur-Tec®	1,213,168	75.0%	834,259	79.7%
Indirect cost of goods sold	700,061	NA	676,609	NA
Total net cost of goods sold	$ 6,612,766		$ 4,875,423	

* The percent of segment sales is calculated by dividing the direct cost of goods sold for each individual segment category by the net sales for each segment category.

The Company utilizes product net sales and direct and indirect cost of goods sold for each product in reviewing the financial performance of a product type. Further allocation of Company expenses or assets, aside from amounts presented in the tables above, is not utilized in evaluating product performance, nor does such allocation occur for internal financial reporting.

Geographic Information

Net sales by geographic location for the three months ended November 30, 2016 and 2015 were as follows:

	Three Months Ended	
	November 30, 2016	November 30, 2015
Inside the U.S.A. to unaffiliated customers	$ 5,268,999	$ 4,813,260
Outside the U.S.A. to:		
Joint ventures in which the Company is a shareholder directly and indirectly	701,799	549,546
Unaffiliated customers	3,731,225	1,661,631
	$ 9,702,023	$ 7,024,437

Net sales by geographic location are based on the location of the customer.

Fees for services provided to joint ventures by geographic location as a percentage of total fees for services provided to joint ventures during the three months ended November 30, 2016 and 2015 were as follows:

	Three Months Ended			
	November 30, 2016	% of Total Fees for Services Provided to Joint Ventures	November 30, 2015	% of Total Fees for Services Provided to Joint Ventures
Germany	$ 203,000	15.4%	$ 229,785	15.5%
Poland	149,204	11.3%	139,257	9.4%
Thailand	147,455	11.2%	223,741	15.1%
Japan	146,037	11.1%	130,673	8.8%
South Korea	105,378	8.0%	169,402	11.4%
France	97,673	7.4%	89,673	6.0%
Sweden	87,061	6.6%	72,961	4.9%
United Kingdom	86,131	6.5%	108,911	7.3%
Finland	76,336	5.8%	68,933	4.6%
Czech Republic	70,828	5.4%	57,553	3.9%
India	64,535	4.9%	80,451	5.4%
Other	81,953	6.2%	114,089	7.7%
	$ 1,315,591	100.0%	$ 1,485,429	100.0%

Sales to the Company's joint ventures are included in the foregoing geographic and segment information, however, sales by the Company's joint ventures to other parties are not included. The foregoing geographic and segment information represents only sales and cost of goods sold recognized directly by the Company.

The geographical distribution of key financial statement data is as follows:

	At November 30, 2016	At August 31, 2016
China	$ 224,270	$ 253,931
India	12,421	13,645
Germany	18,024	—
Brazil	60,546	66,938
United States	8,175,442	8,219,955
Total long-lived assets	$ 8,490,703	$ 8,554,469

	Three Months Ended	
	November 30, 2016	November 30, 2015
China	$ 1,546,810	$ 679,755
India	331,610	278,690
Germany	118,259	—
Brazil	601,524	448,268
Other	1,133,022	254,918
United States	5,970,798	5,362,806
Total net sales	$ 9,702,023	$ 7,024,437

Total long-lived assets located in China, India, Germany and Brazil primarily consist of property and equipment. These assets are periodically reviewed to assure the net realizable value from the estimated future production based on forecasted sales exceeds the carrying value of the assets. Total assets located in the United States include the Company's investments in joint ventures.

Sales to the Company's joint ventures are included in the foregoing segment and geographic information; however, sales by the Company's joint ventures to other parties are not included. The foregoing geographic and segment information represents only sales and cost of goods sold recognized directly by the Company.

All joint venture operations including equity in income, fees for services and related dividends are related to ZERUST® products and services.

13. COMMITMENTS AND CONTINGENCIES

On August 26, 2016, the Compensation Committee of the Board of Directors of the Company approved the material terms of an annual bonus plan for the Company's executive officers as well as certain officers and employees for the fiscal year ending August 31, 2017. For fiscal 2017 as in past years, the total amount available under the bonus plan for all plan participants, including executive officers, is dependent upon the Company's earnings before interest, taxes and other income, as adjusted to take into account amounts to be paid under the bonus plan and certain other adjustments (Adjusted EBITOI). Each plan participant's percentage of the overall bonus pool is based upon the number of plan participants, the individual's annual base salary and the individual's position and level of responsibility within the company. In the case of each of the Company's executive officer participants, 75% of the amount of their individual bonus payout will be determined based upon the Company's actual EBITOI for fiscal 2017 compared to a pre-established target EBITOI for fiscal 2017 and 25% of the payout will be determined based upon such executive officer's achievement of certain pre-established individual performance objectives. The payment of bonuses under the plan are discretionary and may be paid to executive officer participants in both cash and shares of NTIC common stock, the exact amount and percentages will be determined by the Company's Board of Directors, upon recommendation of the Compensation Committee, after the completion of the Company's consolidated financial statements for fiscal 2017. There was $98,000 accrued for management bonuses for the three months ended November 30, 2016 compared to no accrual for management bonuses for the three months ended November 30, 2015.

Three joint ventures (consisting of the Company's joint ventures in Korea, India and Thailand) accounted for 66.9% of the Company's trade joint venture receivables at November 30, 2016 and accounted for 55.8% of the Company's trade joint venture receivables at August 31, 2016.

On March 23, 2015, the Company and NTI Asean filed a lawsuit in Tianjin No 1 Intermediate People's Court against two individuals, Tao Meng and Xu Hui, related to breaches of duties and contractual commitments owed to NTI Asean under certain agreements related to the Company's former joint venture in China, Tianjin Zerust Anti-Corrosion Technologies Ltd (Tianjin Zerust). The lawsuit alleges, among other things, that Mr. Tao Meng and Xu Hui have engaged in self-dealing, usurped business opportunities, and received economic benefits that were required to go to Tianjin Zerust. As of November 30, 2016, the Company is not able to reasonably estimate the amount of any recovery to NTI Asean, if any.

On April 21, 2015, the Company and NTI Asean initiated a lawsuit in the District Court for the Second Judicial District, County of Ramsey, State of Minnesota against Cortec Corporation alleging, among other things, that Cortec Corporation aided and abetted breaches of duties and contractual commitments owed to the Company and NTI Asean related to the Company's joint venture in China, Tianjin Zerust. The case has been set for a mandatory settlement conference with the court on May 30, 2017 and the case will be set for the trial block beginning July 31, 2017 and ending August 18, 2017.

From time to time, the Company is subject to various other claims and legal actions in the ordinary course of its business. The Company records a liability in its consolidated financial statements for costs related to claims, including future legal costs, settlements and judgments, where the Company has assessed that a loss is probable and an amount can be reasonably estimated. If the reasonable estimate of a probable loss is a range, the Company records the most probable estimate of the loss or the minimum amount when no amount within the range is a better estimate than any other amount. The Company discloses a contingent liability even if the liability is not probable or the amount is not estimable, or both, if there is a reasonable possibility that material loss may be have been incurred. In the opinion of management, as of November 30, 2016, the amount of liability, if any, with respect to these matters, individually or in the aggregate, will not materially affect the Company's consolidated results of operations, financial position or cash flows.

14. FAIR VALUE MEASUREMENTS

Assets and liabilities that are measured at fair value on a recurring basis primarily relate to marketable equity securities. These items are marked-to-market at each reporting period. The following tables provide information by level for assets and liabilities that are measured at fair value on a recurring basis:

		Fair Value Measurements Using Inputs Considered as		
	Fair value as of November 30, 2016	**Level 1**	**Level 2**	**Level 3**
Available for sale securities	$ 1,745,968	$ 1,745,968	$ —	$ —

		Fair Value Measurements Using Inputs Considered as		
	Fair value as of August 31, 2016	**Level 1**	**Level 2**	**Level 3**
Available for sale securities	$ 2,243,864	$ 2,243,864	$ —	$ —

There were no transfers between Level 1, Level 2, or Level 3 during the three months ended November 30, 2016 and 2015.

15. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental disclosures of cash flow information consist of:

	Three Months Ended	
	November 30, 2016	**November 30, 2015**
Cash paid for interest	$ 4,623	$ 4,726
Cash paid for income taxes	--	--

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis provides material historical and prospective disclosures intended to enable investors and other users to assess NTIC's financial condition and results of operations. Statements that are not historical are forward-looking and involve risks and uncertainties discussed under the heading "Part I. Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations—Forward-Looking Statements" in this report and under "Part 1. Item 1A. Risk Factors" in our annual report on Form 10-K for the fiscal year ended August 31, 2016. The following discussion of the results of the operations and financial condition of NTIC should be read in conjunction with NTIC's consolidated financial statements and the related notes thereto included under the heading "Part I. Item 1. Financial Statements."

Business Overview

NTIC develops and markets proprietary environmentally beneficial products and services in over 60 countries either directly or via a network of subsidiaries, joint ventures, independent distributors and agents. NTIC's primary business is corrosion prevention marketed mainly under the ZERUST® brand. NTIC has been selling its proprietary ZERUST® products and services to the automotive, electronics, electrical, mechanical, military and retail consumer markets for over 40 years, and in recent years, has targeted and expanded into the oil and gas industry. NTIC also markets and sells a portfolio of biobased and certified compostable (fully biodegradable) polymer resin compounds and finished products under the Natur-Tec® brand. These products are intended to reduce NTIC's customers' carbon footprint and provide environmentally sound waste disposal options.

NTIC's ZERUST® rust and corrosion inhibiting products include plastic and paper packaging, liquids and coatings, rust removers and cleaners, diffusers and engineered solutions designed specifically for the oil and gas industry. NTIC also offers worldwide on-site technical consulting for rust and corrosion prevention issues. NTIC's technical service consultants work directly with the end users of NTIC's ZERUST® rust and corrosion inhibiting products to analyze their specific needs and develop systems to meet their technical requirements. In North America, NTIC sells its ZERUST® corrosion prevention solutions through a network of independent distributors and agents supported by a direct sales force. Internationally, NTIC sells its ZERUST® corrosion prevention solutions through its wholly-owned subsidiary in China, NTIC (Shanghai) Co., Ltd. (NTIC China), its majority-owned joint venture holding company for NTIC's joint venture investments in the Association of Southeast Asian Nations (ASEAN) region, its majority-owned subsidiary in Brazil, Zerust Prevenção de Corrosão S.A. (Zerust Brazil), and its wholly-owned subsidiary in Mexico, ZERUST-EXCOR MEXICO, S. de R.L. de C.V (Zerust Mexico), and joint venture arrangements in North America, Europe and Asia. NTIC also sells products directly to is joint venture partners through its wholly-owned subsidiary in Germany, NTIC Europe GmbH (NTI Europe).

One of NTIC's strategic initiatives is to expand into and penetrate other markets for its ZERUST® corrosion prevention solutions. Consequently, for the past several years, NTIC has focused significant sales and marketing efforts on the oil and gas industry, as the infrastructure that supports that industry is typically constructed using metals that are highly susceptible to corrosion. NTIC believes that its ZERUST® corrosion prevention solutions will minimize maintenance downtime on critical oil and gas industry infrastructure, extend the life of such infrastructure and reduce the risk of environmental pollution due to corrosion leaks.

NTIC markets and sells its ZERUST® rust and corrosion prevention solutions to customers in the oil and gas industry across several countries either directly, through its subsidiaries or through its joint venture partners and other strategic partners. The sale of ZERUST® corrosion prevention solutions to customers in the oil and gas industry typically involves a long sales cycle, often including a one- to multi-year trial period with each customer and a slow integration process thereafter.

Natur-Tec® biobased and compostable plastics are manufactured using NTIC's patented and/or proprietary technologies and are intended to replace conventional petroleum-based plastics. The Natur-Tec® biopolymer resin compound portfolio includes formulations that have been optimized for a variety of applications including blown-film extrusion, extrusion coating, injection molding, and engineered plastics. These resin compounds are certified to be fully biodegradable in a composting environment and are currently being used to produce finished products including can liners, shopping and grocery bags, lawn and leaf bags, pet waste collection bags, cutlery and coated paper products. In North America, NTIC markets its Natur-Tec® resin compounds and finished products primarily through a network of regional and national distributors as well as independent agents. NTIC continues to see significant opportunities for finished bioplastic products and, therefore, continues to strengthen and expand its North American distribution network for finished Natur-Tec® bioplastic products. Internationally, NTIC sells its Natur-Tec® resin compounds and finished products both directly and through its majority- owned subsidiary in India, Natur-Tec India Private Limited (Natur-Tec India), and through certain joint ventures.

Termination of Chinese Joint Venture

On January 2, 2015, NTIC announced that, effective as of December 31, 2014, it is selling its ZERUST® products and services in China through a wholly-owned subsidiary, NTIC (Shanghai) Co., Ltd., and has terminated its joint venture agreements with Tianjin-Zerust Anticorrosion Co., Ltd. (Tianjin Zerust). NTIC and NTI Asean LLC have filed a lawsuit in China against Mr. Tao Meng, the former joint venture entity's other shareholder, and his spouse, seeking, among other things, an orderly liquidation of Tianjin Zerust.

NTIC indirectly has a 30% ownership interest in Tianjin Zerust through its 60% owned holding company subsidiary, NTI Asean LLC.

During the three months ended November 30, 2016 and 2015, NTIC realized approximately $636,000 and $486,000, respectively, in expenses related either directly or indirectly to the establishment and initial business operations of NTIC China, the termination of the joint venture agreements with Tianjin Zerust, NTIC's ongoing litigation against Mr. Tao Meng and his spouse, NTIC's ongoing litigation against Cortec Corporation, the creation of a reserve against the accounts receivable balance from Tianjin Zerust, the write-off of certain inventory and the asset impairment of NTIC's joint venture interest in Tianjin Zerust. These expenses are recorded as selling, general and administrative expenses on NTIC's consolidated statements of operations.

NTIC expects that its operating results may continue to be volatile as a result of its ongoing Chinese operations.

NTIC's Subsidiaries and Joint Venture Network

NTIC has ownership interests in six subsidiaries in North America, Europe and Asia. The following table sets forth a list of NTIC's operating subsidiaries as of November 30, 2016, the country in which the subsidiary is organized and NTIC's ownership percentage in each subsidiary:

Joint Venture Name	Country	NTIC Percent (%) Ownership
NTIC (Shanghai) Co., Ltd	China	100%
NTI Asean LLC	United States	60%
Zerust Prevenção de Corrosão S.A.	Brazil	85%
ZERUST-EXCOR MEXICO, S. de R.L. de C.V	Mexico	100%
Natur-Tec India Private Limited	India	90%
NTIC Europe GmbH	Germany	100%

The results of all of these subsidiaries are fully consolidated in NTIC's consolidated financial statements.

NTIC participates in 20 active joint venture arrangements in North America, Europe and Asia. Each of these joint ventures generally manufactures and markets products in the geographic territory to which it is assigned. While most of NTIC's joint ventures exclusively sell rust and corrosion inhibiting products, some of the joint ventures also sell NTIC's Natur-Tec® resin compounds. NTIC has historically funded its investments in joint ventures with cash generated from operations.

NTIC's receipt of funds from its joint ventures is dependent upon fees for services that NTIC provides to its joint ventures, based primarily on the net sales of the individual joint ventures, and NTIC's receipt of dividend distributions from the joint ventures. The fees for services provided to joint ventures are determined based on either a flat fee or a percentage of sales depending on local laws and tax regulations. With respect to NTIC's joint venture in Germany (EXCOR), NTIC recognizes an agreed upon quarterly fee for such services. NTIC recognizes equity income from its joint ventures based on the overall profitability of its joint ventures. Such profitability is subject to variability from quarter to quarter which, in turn, subjects NTIC's earnings to variability from quarter to quarter. The profits of NTIC's joint ventures are shared by the respective joint venture owners in accordance with their respective ownership percentages. NTIC typically directly or indirectly owns 50% or less of each of its joint venture entities and thus does not control the decisions of these entities regarding whether to pay dividends and, if paid, how much they should be in a given year. The payment of a dividend by an entity is determined by a joint vote of the owners and is not at the sole discretion of NTIC.

NTIC accounts for the investments and financial results of its joint ventures in its financial statements utilizing the equity method of accounting.

NTIC considers EXCOR to be individually significant to NTIC's consolidated assets and income; and therefore, provides certain additional information regarding EXCOR in the notes to NTIC's consolidated financial statements and in this section of this report.

Financial Overview

NTIC's management, including its chief executive officer who is NTIC's chief operating decision maker, reports and manages NTIC's operations in two reportable business segments based on products sold, customer base and distribution center: ZERUST® products and services and Natur-Tec® products.

NTIC's consolidated net sales increased 38.1% during the three months ended November 30, 2016 compared to the three months ended November 30, 2015. This increase was primarily a result of an increase in sales of ZERUST® rust and corrosion inhibiting packaging products, sales to joint ventures and sales of Natur-Tec® products.

During the three months ended November 30, 2016, 83.3% of NTIC's consolidated net sales were derived from sales of ZERUST® products and services, which increased 35.2% to $8,084,678 compared to $5,977,682 for the three months ended November 30, 2015. This increase was due to higher sales from existing customers for new and existing products as a result of increased demand. NTIC has expanded its sales efforts of ZERUST® products and services by strategically targeting customers with specific corrosion issues in new market areas, including the oil and gas industry and other industrial sectors that offer sizable growth opportunities. NTIC's consolidated net sales for the three months ended November 30, 2016 included $746,331 of sales made to customers in the oil and gas industry compared to $340,239 for the three months ended November 30, 2015. Overall demand for ZERUST® products and services depends heavily on the overall health of the markets in which NTIC sells its products, including the automotive, oil and gas, agriculture, and mining markets in particular. In addition, we believe demand for ZERUST® products and services in the oil and gas industry may be dependent upon oil prices, with low oil prices causing existing or potential customers to delay purchases and installations.

During the three months ended November 30, 2016, 16.7% of NTIC's consolidated net sales were derived from sales of Natur-Tec® products compared to 14.9% during the three months ended November 30, 2015. Net sales of Natur-Tec® products increased 54.5% during the three months ended November 30, 2016 compared to the three months ended November 30, 2015 primarily due to an increase in finished product sales in North America and finished product sales at NTIC's majority-owned subsidiary in India, Natur-Tec India Private Limited (Natur-Tec India).

Cost of goods sold as a percentage of net sales decreased to 68.2% during the three months ended November 30, 2016 compared to 69.4% during the three months ended November 30, 2015 primarily as a result of increased sales of ZERUST® products and services in the oil and gas industry which carry higher margins than NTIC's ZERUST® industrial products and services.

NTIC's equity in income of joint ventures increased 29.5% to $1,274,004 during the three months ended November 30, 2016 compared to $983,753 during the three months ended November 30, 2015. This increase was primarily due to increases in profitability at the joint ventures. Total net sales of NTIC's joint ventures increased 10.7% to $24,200,447 during the three months ended November 30, 2016 compared to $21,871,209 for the three months ended November 30, 2015 due primarily due to higher sales from existing customers for new and existing products as a result of increased demand.

NTIC's total operating expenses increased 9.6% to $5,153,386 during the three months ended November 30, 2016 compared to $4,703,787 for the three months ended November 30, 2015. This increase was primarily due to an increase in legal expenses in North America related to the litigation of $198,000 and an increase in operating expenses at NTIC China of $118,000. Such expenses consisted primarily of selling and personnel expense associated with the increase in sales in China.

NTIC spent $642,522 and $1,004,097 during the three months ended November 30, 2016 and 2015, respectively, in connection with its research and development activities. NTIC anticipates that it will spend a total of between $2,000,000 and $3,000,000 in fiscal 2017 on research and development activities. This anticipated significant decrease from fiscal 2016 is due to the transition of efforts from research and development to selling, general and administrative areas, specifically as they relate to Natur-Tec® and the ZERUST® oil and gas business since most of the expenses related to these business units are no longer in the research and development phase of product development.

Net income (loss) attributable to NTIC increased $531,990 to $297,639, or $0.07, per diluted common share, for the three months ended November 30, 2016 compared to net loss of $(234,351), or $(0.05) per diluted common share, for the three months ended November 30, 2015. This increase was primarily the result of the increase in gross profit, partially offset by the increase in operating expenses.

NTIC anticipates that its quarterly net income or loss will continue to remain subject to significant volatility primarily due to the financial performance of its subsidiaries and joint ventures and sales of its ZERUST® products and services into the oil and gas industry and Natur-Tec® bioplastics products, which sales fluctuate more on a quarterly basis than the traditional ZERUST® business. NTIC also anticipates that its operating results during the next few quarters will be particularly volatile as a result of the changes in its Chinese operations.

NTIC's working capital was $15,883,792 at November 30, 2016, including $2,529,140 in cash and cash equivalents and $1,745,968 in available for sale securities, compared to $16,948,069 at August 31, 2016, including $3,395,274 in cash and cash equivalents and $2,243,864 in available for sale securities.

Results of Operations

The following table sets forth NTIC's results of operations for the three months ended November 30, 2016 and 2015.

	Three Months Ended					
	November 30, 2016	% of Net Sales	November 30, 2015	% of Net Sales	$ Change	% Change
Net sales, excluding joint ventures	$ 9,000,224	92.8%	$ 6,501,410	92.6%	$ 2,498,814	38.4%
Net sales, to joint ventures	701,799	7.2%	523,027	7.4%	178,772	34.2%
Cost of goods sold	6,612,766	68.2%	4,875,423	69.4%	1,737,343	35.6%
Equity in income of joint ventures	1,274,004	13.1%	983,753	14.0%	290,251	29.5%
Fees for services provided to joint ventures	1,315,591	13.6%	1,485,429	21.1%	(169,838)	(11.4%)
Selling expenses	2,039,084	21.0%	1,525,083	21.7%	514,001	33.7%
General and administrative expenses	2,471,780	25.5%	2,174,607	31.0%	297,173	13.7%
Research and development expenses	642,522	6.6%	1,004,097	14.3%	(361,575)	(36.0%)

Net Sales. NTIC's consolidated net sales increased 38.1% to $9,702,023 during the three months ended November 30, 2016 compared to the three months ended November 30, 2015. This increase was primarily a result of an increase in sales of ZERUST® rust and corrosion inhibiting packaging products, sales to joint ventures and sales of Natur-Tec® products. NTIC's consolidated net sales to unaffiliated customers excluding NTIC's joint ventures increased 38.4% to $9,000,224 during the three months ended November 30, 2016 compared to the same period in fiscal 2016. This increase was primarily a result of increased demand from the addition of new customers at NTI China and an increase in sale of our Natur-Tec® products. Net sales to joint ventures increased 34.2% to $701,799 during the three months ended November 30, 2016 compared to the same period in fiscal 2016. This increase was primarily a result of higher demand for ZERUST® products and services.

The following table sets forth NTIC's net sales by product category for the three months ended November 30, 2016 and 2015 by segment:

	Three Months Ended			
	November 30, 2016	November 30, 2015	$ Change	% Change
Total ZERUST® sales	$ 8,084,678	$ 5,977,682	$ 2,106,996	35.2%
Total Natur-Tec® sales	1,617,345	1,046,755	570,590	54.5%
Total net sales	$ 9,702,023	$ 7,024,437	$ 2,677,586	38.1%

During the three months ended November 30, 2016, 83.3% of NTIC's consolidated net sales were derived from sales of ZERUST® products and services, which increased 35.2% to $8,084,678 during the three months ended November 30, 2016 compared to $5,977,682 during the same period in fiscal 2016. NTIC has strategically focused its sales efforts for ZERUST® products and services on customers with sizeable corrosion problems in industry sectors that offer sizable growth opportunities, including the oil and gas sector. Overall demand for ZERUST® products and services depends heavily on the overall health of the market segments to which NTIC sells its products, including the automotive, oil and gas, agriculture, and mining markets in particular. In addition, we believe demand for ZERUST® products and services in the oil and gas industry may be dependent upon oil prices, with low oil prices causing existing or potential customers to delay purchases and installations.

The following table sets forth NTIC's net sales of ZERUST® products for the three months ended November 30, 2016 and 2015:

	Three Months Ended			
	November 30, 2016	November 30, 2015	$ Change	% Change
ZERUST® industrial net sales	$ 6,636,548	$ 5,119,093	$ 1,517,455	29.6%
ZERUST® joint venture net sales	701,799	518,350	183,449	35.4%
ZERUST® oil & gas net sales	746,331	340,239	406,092	119.4%
Total ZERUST® net sales	$ 8,084,678	$ 5,977,682	$ 2,106,996	35.2%

NTIC's net sales to the oil and gas industry sector increased during the three months ended November 30, 2016 compared to the prior fiscal year period primarily as a result of increased sales to India. NTIC anticipates that its sales of ZERUST® products and services into the oil and gas industry will continue to remain subject to significant volatility from quarter to quarter as sales are recognized, specifically due to the volatility of oil prices.

During the three months ended November 30, 2016, 16.7% of NTIC's consolidated net sales were derived from sales of Natur-Tec® products, which increased 54.5% to $1,617,345 during the three months ended November 30, 2016 compared to the three months ended November 30, 2015. Demand for Natur-Tec® products around the world depends primarily on market acceptance and the reach of NTIC's distribution network. Because of the typical size of individual orders and overall size of NTIC's net sales derived from sales of Natur-Tec® products, the timing of one or more orders can materially affect NTIC's quarterly sales of Natur-Tec® products and the comparisons to prior fiscal year quarters.

Cost of Goods Sold. Cost of goods sold increased 35.6% for the three months ended November 30, 2016 compared to the three months ended November 30, 2015. Cost of goods sold as a percentage of net sales decreased slightly to 68.2% for the three months ended November 30, 2016 compared to 69.4% for the three months ended November 30, 2015 primarily as a result of increased sales of oil and gas products which carry higher margins than NTIC's ZERUST® industrial products and services.

Equity in Income of Joint Ventures. NTIC's equity in income of joint ventures increased 29.5% to $1,274,004 during the three months ended November 30, 2016 compared to $983,753 during the three months ended November 30, 2015. This increase was primarily a result of improved profitability at the joint ventures. Of the total equity in income of joint ventures, NTIC had equity in income of joint ventures of $928,169 attributable to EXCOR during the three months ended November 30, 2016 compared to $768,123 during the three months ended November 30, 2015.

Fees for Services Provided to Joint Ventures. NTIC recognized fee income for services provided to joint ventures of $1,315,591 during the three months ended November 30, 2016 compared to $1,485,429 during the three months ended November 30, 2015, representing a decrease of $169,838, or 11.4%. Fee income for services provided to joint ventures is traditionally a function of the sales made by NTIC's joint ventures. Total net sales of NTIC's joint ventures increased 10.7% to $24,200,447 during the three months ended November 30, 2016 compared to $21,871,209 for the three months ended November 30, 2015. The decrease in fee income for services provided to joint ventures despite the increase in total net sale of NTIC's joint ventures was primarily the result of the joint venture incurring the sales increases when compared to royalty rates and expected payments.

Net sales of NTIC's joint ventures are not included in NTIC's consolidated financial statements. Of the total fee income for services provided to its joint ventures, fees of $203,000 were attributable to EXCOR during the three months ended November 30, 2016 compared to $229,785 attributable to EXCOR during the three months ended November 30, 2015.

Selling Expenses. NTIC's selling expenses increased 33.7% for the three months ended November 30, 2016 compared to the same period in fiscal 2016 due to the transition of focus from research and development to selling, specifically as they relate to Natur-Tec® and the ZERUST® oil and gas business, since most of the expenses related to these business units are no longer in the research and development phase of product development. Selling expenses as a percentage of net sales decreased slightly to 21.0% for the three months ended November 30, 2016, from 21.7% during the three months ended November 30, 2015 due primarily to the significant increase in net sales, partially offset by the increase in selling expenses, as previously described.

General and Administrative Expenses. NTIC's general and administrative expenses increased 13.7% for the three months ended November 30, 2016 compared to the same period in fiscal 2016 due primarily to the transition of expenses that were previously focused on research and development efforts, but now relate to general and administrative focus, specifically as they relate to Natur-Tec® and the ZERUST® oil and gas business, since most of the expenses related to these business units are no longer in the research and development phase of product development. Additionally, expenses incurred in support of joint ventures are now included in general and administrative expenses. Expenses previously classified as expenses incurred in support of joint ventures were $116,800 during the three months ended November 30, 2016 compared to $316,994 during the three months ended November 30, 2015. NTIC's general and administrative expenses also increased due to an increase in legal expenses in North America related to the litigation against Cortec Corporation of $198,000. As a percentage of net sales, general and administrative expenses decreased to 25.5% for the three months ended November 30, 2016 from 31.0% for the three months ended November 30, 2015 due primarily to the increase in net sales, partially offset by the increase in general and administrative expenses, as previously described.

Research and Development Expenses. NTIC's research and development expenses decreased 36.0% for the three months ended November 30, 2016 compared to the same period in fiscal 2016 due primarily to the transition of resources that were previously devoted towards research and development to selling and general and administrative efforts, as previously described.

Interest Income. NTIC's interest income decreased to $3,563 during the three months ended November 30, 2016 compared to $14,173 during the three months ended November 30, 2015 due to lower average cash balances.

Interest Expense. NTIC's interest expense decreased to $4,623 during the three months ended November 30, 2016 compared to $4,726 during the three months ended November 30, 2015.

Income (Loss) Before Income Tax Expense. NTIC incurred income before income tax expense equal to $524,406 for the three months ended November 30, 2016 compared to a loss before income tax expense equal to $(76,144) for the three months ended November 30, 2015.

Income Tax Expense (Benefit). Income tax expense was $117,713 during the three months ended November 30, 2016 compared to an income tax benefit of $(3,502) during the three months ended November 30, 2015. Income tax expense was calculated based on management's estimate of NTIC's annual effective income tax rate.

NTIC considers the earnings of certain foreign joint ventures to be indefinitely invested outside the United States on the basis of estimates that NTIC's future domestic cash generation will be sufficient to meet future domestic cash needs. As a result, U.S. income and foreign withholding taxes have not been recognized on the cumulative undistributed earnings of $17,978,218 and $17,779,912 at November 30, 2016 and August 31, 2016, respectively. To the extent undistributed earnings of NTIC's joint ventures are distributed in the future, they are not expected to result in any material additional income tax liability after the application of foreign tax credits.

Other Comprehensive (Loss) Income - Foreign Currency Translations Adjustment. The significant changes in the foreign currency translations adjustment was due to the strengthening of the U.S. dollar compared to the Euro and other foreign currencies during the three months ended November 30, 2016 compared to the same period in fiscal 2016.

Liquidity and Capital Resources

Sources of Cash and Working Capital. NTIC's working capital was $15,883,792 at November 30, 2016, including $2,529,140 in cash and cash equivalents and $1,745,968 in available for sale securities, compared to $16,948,069 at August 31, 2016, including $3,395,274 in cash and cash equivalents and $2,243,864 in available for sale securities.

As of November 30, 2016, NTIC had a revolving line of credit with PNC Bank of $3,000,000, with no amounts outstanding. The line of credit is evidenced by an amended and restated committed line of credit note in the principal amount of up to $3,000,000. The line of credit has a $1,200,000 standby letter of credit sub-facility, with any standby letters of credit issued thereunder being at the sole discretion of PNC Bank.

On January 11, 2017, NTIC and PNC Bank extended the maturity date of the line of credit retroactively from January 7, 2017 to January 7, 2018. All other terms of the line of credit and the loan agreement and other documents evidencing the line of credit remain the same. It is anticipated that, as historically has been the practice, the line of credit will be renewed each year for one additional year for the immediate foreseeable future.

NTIC believes that a combination of its existing cash and cash equivalents, forecasted cash flows from future operations, anticipated distributions of earnings, anticipated fees to NTIC for services provided to its joint ventures, and funds available through existing or anticipated financing arrangements, will be adequate to fund its existing operations, investments in new or existing joint ventures or subsidiaries, capital expenditures, debt repayments and any stock repurchases for at least the next 12 months. During the remainder of fiscal 2017, NTIC expects to continue to invest in NTIC China, research and development and in marketing efforts and resources into the application of its corrosion prevention technology into the oil and gas industry and its Natur-Tec® bio-plastics business. In order to take advantage of such new product and market opportunities to expand its business and increase its revenues, NTIC may decide to finance such opportunities by borrowing under its revolving line of credit or raising additional financing through the issuance of debt or equity securities. There is no assurance that any financing transaction will be available on terms acceptable to NTIC or at all, or that any financing transaction will not be dilutive to NTIC's current stockholders.

NTIC traditionally has used the cash generated from its operations, distributions of earnings and fees for services provided to its joint ventures to fund NTIC's new technology investments and capital contributions to new and existing joint ventures. NTIC's joint ventures traditionally have operated with little or no debt and have been self-financed with minimal initial capital investment and minimal additional capital investment from their respective owners. Therefore, NTIC believes it is not likely that there exists any exposure to debt by NTIC's joint ventures that could materially impact their respective operations and/or liquidity.

Uses of Cash and Cash Flows. Net cash used in operating activities during the three months ended November 30, 2016 was $924,426, which resulted principally from NTIC's equity in income from joint ventures, a decrease in inventory and increases in trade receivables, prepaid expenses, accrued liabilities, and income tax payable, partially offset by NTIC's net income, depreciation and amortization. Net cash used in operating activities during the three months ended November 30, 2015 was $750,248, which resulted principally from NTIC's equity in income from joint ventures, a decrease in accrued liabilities and increases in receivables and prepaid expenses, partially offset by depreciation and amortization.

NTIC's cash flows from operations are impacted by significant changes in certain components of NTIC's working capital, including inventory turnover and changes in receivables. NTIC considers internal and external factors when assessing the use of its available working capital, specifically when determining inventory levels and credit terms of customers. Key internal factors include existing inventory levels, stock reorder points, customer forecasts and customer requested payment terms, and key external factors include the availability of primary raw materials and sub-contractor production lead times. NTIC's typical contractual terms for trade receivables excluding joint ventures are traditionally 30 days and for trade receivables from its joint ventures are 90 days. Before extending unsecured credit to customers, excluding NTIC's joint ventures, NTIC reviews customers' credit histories and will establish an allowance for uncollectible accounts based upon factors surrounding the credit risk of specific customers and other information. Accounts receivable over 30 days are considered past due for most customers. NTIC does not accrue interest on past due accounts receivable. If accounts receivables in excess of the provided allowance are determined uncollectible, they are charged to selling expense in the period that determination is made. Accounts receivable are deemed uncollectible based on NTIC exhausting reasonable efforts to collect. NTIC's typical contractual terms for receivables for services provided to its joint ventures are 90 days. NTIC records receivables for services provided to its joint ventures on an accrual basis, unless circumstances exist that make the collection of the balance uncertain in which case the fee income will be recorded on a cash basis until there is consistency in payments. This determination is handled on a case by case basis.

NTIC experienced an increase in trade receivables and a decrease in inventory as of November 30, 2016 compared to August 31, 2016. Trade receivables excluding joint ventures as of November 30, 2016 increased $699,421 compared to August 31, 2016, primarily related to the timing of collections and the increase in sales.

Outstanding trade receivables excluding joint ventures balances as of November 30, 2016 increased 5 days to an average of 55 days from balances outstanding from these customers as of August 31, 2016.

Outstanding trade receivables from joint ventures as of November 30, 2016 decreased $91,385 compared to August 31, 2016 primarily due to the timing of payments. Outstanding balances from trade receivables from joint ventures decreased an average of 16 days from an average of 106 days from balances outstanding from these customers compared to August 31, 2016. The significant average days outstanding of trade receivables from joint ventures as of November 30, 2016 were primarily due to the receivables balances at NTIC's joint venture in South Korea and Tianjin Zerust.

Outstanding receivables for services provided to joint ventures as of November 30, 2016 increased $15,518 compared to August 31, 2016 and decreased 2 days to an average of 98 days compared to August 31, 2016.

Net cash provided by investing activities for the three months ended November 30, 2016 was $327,105, which was primarily the result of cash proceeds from the sale of available for sale securities, partially offset by additions to property and equipment and additions to patents. Net cash provided by investing activities for the three months ended November 30, 2015 was $1,221,787, which was primarily the result of cash proceeds from the sale of available for sale securities, partially offset by additions to property and equipment and additions to patents.

Net cash used in financing activities for the three months ended November 30, 2016 was $238,757, which resulted from dividends paid to a non-controlling interest and stock repurchases, partially offset by proceeds from NTIC's employee stock purchase plan. Net cash used in financing activities for the three months ended November 30, 2015 was $12,706, which resulted from stock repurchases, partially offset by proceeds from NTIC's employee stock purchase plan.

Share Repurchase Plan. On January 15, 2015, NTIC's Board of Directors authorized the repurchase of up to $3,000,000 in shares of NTIC common stock through open market purchases or unsolicited or solicited privately negotiated transactions. This program has no expiration date but may be terminated by NTIC's Board of Directors at any time. As of November 30, 2016, up to $2,764,884 in shares of NTIC common stock remained available for repurchase under NTIC's stock repurchase program.

Capital Expenditures and Commitments. NTIC spent $112,589 on capital expenditures during the three months ended November 30, 2016, which related primarily to the purchase of new equipment. NTIC expects to spend an aggregate of approximately $200,000 to $400,000 on capital expenditures during fiscal 2017, which it expects will relate primarily to the purchase of new equipment.

Contractual Obligations

There has been no material change to NTIC's contractual obligations as provided in "Part II. Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations," included in NTIC's annual report on Form 10-K for the fiscal year ended August 31, 2016.

Off-Balance Sheet Arrangements

NTIC does not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet financial arrangements. As such, NTIC is not materially exposed to any financing, liquidity, market or credit risk that could arise if NTIC had engaged in such arrangements.

Inflation and Seasonality

Inflation in the United States and abroad historically has had little effect on NTIC. Although NTIC's business historically has not been seasonal, NTIC believes there is now some seasonality in its business. NTIC anticipates its net sales in second fiscal quarter may be adversely affected by the long Chinese New Year, the North American holiday season and overall less corrosion taking place at lower winter temperatures worldwide.

Market Risk

NTIC is exposed to some market risk stemming from changes in foreign currency exchange rates, commodity prices and interest rates.

Because the functional currency of NTIC's foreign operations and investments in its foreign joint ventures is the applicable local currency, NTIC is exposed to foreign currency exchange rate risk arising from transactions in the normal course of business. NTIC's principal exchange rate exposure is with the Euro, the Japanese yen, Indian Rupee, Chinese Renminbi, South Korean won and the English pound against the U.S. dollar. NTIC's fees for services provided to joint ventures and dividend distributions from these foreign entities are paid in foreign currencies and thus fluctuations in foreign currency exchange rates could result in declines in NTIC's reported net income. Since NTIC's investments in its joint ventures are accounted for using the equity method, any changes in foreign currency exchange rates would be reflected as a foreign currency translation adjustment and would not change NTIC's equity in income of joint ventures reflected in its consolidated statements of income. NTIC does not hedge against its foreign currency exchange rate risk.

Some raw materials used in NTIC's products are exposed to commodity price changes. The primary commodity price exposures are with a variety of plastic resins.

At the option of NTIC, outstanding advances under NTIC's $3,000,000 revolving line of credit with PNC Bank bear interest at either (a) an annual rate based on LIBOR plus 2.15% for the applicable LIBOR interest period selected by NTIC or (b) at the rate publicly announced by PNC Bank from time to time as its prime rate, and thus may subject NTIC to some market risk on interest rates. As of November 30, 2016, NTIC had no borrowings under the line of credit.

Critical Accounting Policies and Estimates

There have been no material changes to NTIC's critical accounting policies and estimates from the information provided in "Part II. Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies," included in NTIC's annual report on Form 10-K for the fiscal year ended August 31, 2016.

Recent Accounting Pronouncements

See Note 2 to NTIC's consolidated financial statements for a discussion of recent accounting pronouncements.

Forward-Looking Statements

This quarterly report on Form 10-Q contains not only historical information, but also forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and are subject to the safe harbor created by those sections. In addition, NTIC or others on NTIC's behalf may make forward-looking statements from time to time in oral presentations, including telephone conferences and/or web casts open to the public, in press releases or reports, on NTIC's Internet web site or otherwise. All statements other than statements of historical facts included in this report or expressed by NTIC orally from time to time that address activities, events or developments that NTIC expects, believes or anticipates will or may occur in the future are forward-looking statements including, in particular, the statements about NTIC's plans, objectives, strategies and prospects regarding, among other things, NTIC's financial condition, results of operations and business, the outcome of contingencies such as legal proceedings and the effect of the liquidation of Tianjin Zerust and the operations of NTIC China. NTIC has identified some of these forward-looking statements in this report with words like "believe," "can," "may," "could," "would," "might," "forecast," "possible," "potential," "project," "will," "should," "expect," "intend," "plan," "predict," "anticipate," "estimate," "approximate," "outlook" or "continue" or the negative of these words or other words and terms of similar meaning. The use of future dates is also an indication of a forward-looking statement. Forward-looking statements may be contained in the notes to NTIC's consolidated financial statements and elsewhere in this report, including under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Forward-looking statements are based on current expectations about future events affecting NTIC and are subject to uncertainties and factors that affect all businesses operating in a global market as well as matters specific to NTIC. These uncertainties and factors are difficult to predict and many of them are beyond NTIC's control. The following are some of the uncertainties and factors known to us that could cause NTIC's actual results to differ materially from what NTIC has anticipated in its forward-looking statements:

- NTIC's operations in China, the termination of the joint venture agreements with Tianjin Zerust, the ongoing litigation against Mr. Tao Meng and Cortec Corporation and the anticipated liquidation of Tianjin Zerust and the effect of all these events on NTIC's business and future operating results;

- The effect of current worldwide economic conditions and any turmoil and disruption in the global credit and financial markets on NTIC's business;

- The variability in NTIC's sales of ZERUST® products and services into oil and gas industry and Natur-Tec® products and NTIC's equity income of joint ventures, which variability in sales and equity in income of joint venture in turn, subject NTIC's earnings to quarterly fluctuations;

- Risks associated with NTIC's international operations and exposure to fluctuations in foreign currency exchange rates and import duties and taxes;

- The effect of the referendum vote of the United Kingdom to exit the European Union on NTIC's operating results, including in particular future net sales of NTIC's European and other joint ventures;

- The health of the U.S. automotive industry on NTIC's business;

- NTIC's dependence on the success of its joint ventures and fees and dividend distributions that NTIC receives from them;

- NTIC's relationships with its joint ventures and its ability to maintain those relationships, especially in light of anticipated succession planning issues;

- Fluctuations in the cost and availability of raw materials, including resins and other commodities;

- The success of and risks associated with NTIC's emerging new businesses and products and services, including in particular NTIC's ability and the ability of NTIC's joint ventures to sell ZERUST® products and services into oil and gas industry and Natur-Tec® products and the often lengthy and extensive sales process involved in selling such products and services;

- NTIC's ability to introduce new products and services that respond to changing market conditions and customer demand;

- Market acceptance of NTIC's existing and new products, especially in light of existing and new competitive products;

- Maturation of certain existing markets for NTIC's ZERUST® products and services and NTIC's ability to grow market share and succeed in penetrating other existing and new markets;

- Increased competition, especially with respect to NTIC's ZERUST® products and services, and the effect of such competition on NTIC's and its joint ventures' pricing, net sales and margins;

- NTIC's reliance upon and its relationships with its distributors, independent sales representatives and joint ventures;

- NTIC's reliance upon suppliers;

- Oil prices, which may affect sales of NTIC's ZERUST® products and services into the oil and gas industry;

- The costs and effects of complying with laws and regulations and changes in tax, fiscal, government and other regulatory policies, including rules relating to environmental, health and safety matters;

- Unforeseen product quality or other problems in the development, production and usage of new and existing products;

- Unforeseen production expenses incurred in connection with new customers and new products;

- Loss of or changes in executive management or key employees;

- Ability of management to manage around unplanned events;

- Pending and future litigation;

- NTIC’s reliance on its intellectual property rights and the absence of infringement of the intellectual property rights of others;
- NTIC’s ability to maintain effective internal control over financial reporting, especially in light of its joint venture arrangements;
- Changes in applicable laws or regulations and NTIC’s failure to comply with applicable laws, rules and regulations;
- Changes in generally accepted accounting principles and the effect of new accounting pronouncements;
- Fluctuations in NTIC’s effective tax rate; and
- NTIC’s reliance upon its management information systems.

For more information regarding these and other uncertainties and factors that could cause NTIC’s actual results to differ materially from what NTIC has anticipated in its forward-looking statements or otherwise could materially adversely affect its business, financial condition or operating results, see NTIC’s annual report on Form 10-K for the fiscal year ended August 31, 2016 under the heading “Part I. Item 1A. Risk Factors.”

All forward-looking statements included in this report are expressly qualified in their entirety by the foregoing cautionary statements. NTIC wishes to caution readers not to place undue reliance on any forward-looking statement that speaks only as of the date made and to recognize that forward-looking statements are predictions of future results, which may not occur as anticipated. Actual results could differ materially from those anticipated in the forward-looking statements and from historical results, due to the uncertainties and factors described above, as well as others that NTIC may consider immaterial or does not anticipate at this time. Although NTIC believes that the expectations reflected in its forward-looking statements are reasonable, NTIC does not know whether its expectations will prove correct. NTIC’s expectations reflected in its forward-looking statements can be affected by inaccurate assumptions NTIC might make or by known or unknown uncertainties and factors, including those described above. The risks and uncertainties described above are not exclusive and further information concerning NTIC and its business, including factors that potentially could materially affect its financial results or condition, may emerge from time to time. NTIC assumes no obligation to update, amend or clarify forward-looking statements to reflect actual results or changes in factors or assumptions affecting such forward-looking statements. NTIC advises you, however, to consult any further disclosures NTIC makes on related subjects in its annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K NTIC files with or furnishes to the Securities and Exchange Commission.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

NTIC is exposed to some market risk stemming from changes in foreign currency exchange rates, commodity prices and interest rates.

Because the functional currency of NTIC’s foreign operations and investments in its foreign joint ventures is the applicable local currency, NTIC is exposed to foreign currency exchange rate risk arising from transactions in the normal course of business. NTIC’s principal exchange rate exposure is with the Euro, the Japanese yen, Indian Rupee, Chinese Renminbi, South Korean won and the English pound against the U.S. dollar. NTIC’s fees for services provided to joint ventures and dividend distributions from these foreign entities are paid in foreign currencies and thus fluctuations in foreign currency exchange rates could result in declines in NTIC’s reported net income. Since NTIC’s investments in its joint ventures are accounted for using the equity method, any changes in foreign currency exchange rates would be reflected as a foreign currency translation adjustment and would not change NTIC’s equity in income of joint ventures reflected in its consolidated statements of income. NTIC does not hedge against its foreign currency exchange rate risk.

Some raw materials used in NTIC’s products are exposed to commodity price changes. The primary commodity price exposures are with a variety of plastic resins.

At the option of NTIC, outstanding advances under NTIC’s $3,000,000 revolving line of credit with PNC Bank bear interest at either (a) an annual rate based on LIBOR plus 2.15% for the applicable LIBOR interest period selected by NTIC or (b) at the rate publicly announced by PNC Bank from time to time as its prime rate, and thus may subject NTIC to some market risk on interest rates. As of November 30, 2016, NTIC had no borrowings under the line of credit.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

NTIC maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) that are designed to provide reasonable assurance that information required to be disclosed by NTIC in the reports it files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission’s rules and forms and that such information is accumulated and communicated to NTIC’s management, including NTIC’s principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. NTIC’s management evaluated, with the participation of its Chief Executive Officer and its Chief Financial Officer, the effectiveness of the design and operation of NTIC’s disclosure controls and procedures as of the end of the period covered in this report. Based on that evaluation, NTIC’s Chief Executive Officer and Chief Financial Officer concluded that NTIC’s disclosure controls and procedures were effective as of the end of such period to provide reasonable assurance that information required to be disclosed in the reports that NTIC files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to NTIC’s management, including NTIC’s Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There was no change in NTIC’s internal control over financial reporting that occurred during the quarter ended November 30, 2016 that has materially affected, or is reasonably likely to materially affect NTIC’s internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On March 23, 2015, NTIC and NTI Asean LLC, a majority-owned subsidiary of NTIC, filed a lawsuit in Tianjin No 1 Intermediate People's Court against two individuals, Tao Meng and Xu Hui, related to breaches of duties and contractual commitments owed to NTI Asean under certain agreements related to NTIC's former joint venture in China, Tianjin Zerust Anti-Corrosion Technologies Ltd. The lawsuit alleges, among other things, that Mr. Tao Meng and Xu Hui have engaged in self-dealing, usurped business opportunities, and received economic benefits that were required to go to Tianjin Zerust. At this point it is too early in the lawsuit to reasonably estimate the amount of any recovery to NTI Asean.

On April 21, 2015, NTIC and NTI Asean initiated a lawsuit in the District Court for the Second Judicial District, County of Ramsey, State of Minnesota against Cortec Corporation alleging, among other things, that Cortec Corporation aided and abetted breaches of duties and contractual commitments owed to the Company and NTI Asean related to NTIC's joint venture in China, Tianjin Zerust. On November 4, 2015, NTIC and NTI Asean were permitted to file an amended complaint adding new counts, including, but not limited to, one for breach of contract, arising out of Cortec's breach of a 2005 Settlement Agreement and Consent Order. The case was subsequently assigned to the complex civil jury trial calendar, extending deadlines for discovery and trial. NTIC and NTI Asean intend to bring a further motion to amend in order to add a claim for punitive damages and to move the court for summary judgment. The case has been set for a mandatory settlement conference with the court on May 30, 2017 and the case will be set for the trial block beginning July 31, 2017 and ending August 18, 2017.

ITEM 1A. RISK FACTORS

This Item 1A is inapplicable to NTIC as a smaller reporting company.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Recent Sales of Unregistered Equity Securities

During the three months ended November 30, 2016, NTIC did not issue any shares of its common stock or other equity securities of NTIC that were not registered under the Securities Act of 1933, as amended.

Issuer Purchases of Equity Securities

The following table shows NTIC's first quarter of fiscal 2017 stock repurchase activity.

Period	Total Number of Shares (or Units) Purchased	Average Price Paid Per Share (or Unit)	Total Number of Shares (or Units) Purchased As Part of Publicly Announced Plans or Programs	Maximum Number of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
September 1, 2016 through September 30, 2016	1,075	$ 12.70	0	(1)
October 1, 2016 through October 31, 2016	300	13.00	0	(1)
November 1, 2016 through November 30, 2016	4,200	12.89	0	(1)(2)
Total	5,575	$ 12.86	0	(1)(2)

(1) On January 15, 2015, NTIC's Board of Directors authorized the repurchase of up to $3,000,000 in shares of NTIC common stock through open market purchases or unsolicited or solicited privately negotiated transactions. This program has no expiration date but may be terminated by NTIC's Board of Directors at any time.

(2) As of November 30, 2016, up to $2,764,683 in shares of NTIC common stock remained available for repurchase under NTIC's stock repurchase program.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Extension of Line of Credit

On January 11, 2017, NTIC and PNC Bank entered into a letter agreement extending the maturity date of NTIC's line of credit with PNC Bank retroactively from January 7, 2017 to January 7, 2018. All other terms of the line of credit and the loan agreement and other documents evidencing the line of credit remain the same. The foregoing represents only a summary of the material terms of the letter agreement, does not purport to be complete and is qualified in its entirety by reference to the complete text of the letter agreement, which is filed as Exhibit 10.1 to this report, and is incorporated by reference herein.

PNC Bank and its affiliates have in the past performed, and may in the future from time to time perform, investment banking, financial advisory, lending and/or commercial banking services for NTIC and its subsidiaries in arm's length transactions, on terms customarily available to unrelated third-parties and for which services it has in the past received, and may in the future receive, customary compensation and reimbursement of expenses.

Consulting Arrangement with Bioplastic Polymers LLC

As previously disclosed, NTIC paid consulting fees to Bioplastic Polymers LLC which is owned by Ramani Narayan, Ph.D., one of NTIC's directors, in the aggregate amount of $100,000 and royalty fees in an aggregate amount of $31,463 during the fiscal year ended August 31, 2016. The consulting services rendered by Bioplastic Polymers LLC related to research and development associated with various new technologies and the royalty fees were paid pursuant to an oral agreement pursuant to which NTIC agreed to pay Bioplastic Polymers LLC and Dr. Narayan certain royalties on net sales of products incorporating the biodegradable polymer technology transferred to NTIC by Bioplastic Polymers LLC and Dr. Narayan in consideration of the transfer and assignment of such technology to NTIC.

On January 11, 2017, NTIC, Bioplastic Polymers LLC and Dr. Narayan entered into a consulting agreement which supersedes and replaces the oral agreements described above. Under the terms of the consulting agreement, Dr. Narayan must personally provide certain consulting services to NTIC relating to NTIC's Natur-Tec® business and bioplastics program. The consulting agreement sets out terms for clear separation between Dr. Narayan's work at Michigan State University ("University") and any related University inventions and his work with NTIC and any related NTIC inventions. In exchange for the consulting services, NTIC has agreed to pay Dr. Narayan $12,000 per month. The term of the consulting agreement is five (5) years, and unless earlier terminated by the parties, will terminate on January 11, 2022. Either party may terminate the consulting agreement earlier upon thirty (30) days prior written notice. The consulting agreement will terminate automatically upon the death of Dr. Narayan or in the event of his disability that prevents him from performing the consulting services under the agreement. The foregoing represents only a summary of the material terms of the consulting agreement, does not purport to be complete and is qualified in its entirety by reference to the complete text of the consulting agreement, which is filed as Exhibit 10.2 to this report, and is incorporated by reference herein.

ITEM 6. EXHIBITS

The following exhibits are being filed or furnished with this quarterly report on Form 10-Q:

Exhibit No.	Description
10.1	Letter Agreement effective as of January 11, 2017 between PNC Bank, National Association and Northern Technologies International Corporation (filed herewith)
10.2	Consulting Agreement dated January 11, 2017 by and among Northern Technologies International Corporation, BioPlastic Polymers LLC, and Ramani Narayan, Ph.D. (filed herewith)
31.1	Certification of Chief Executive Officer Pursuant to Exchange Act Rules 13a-14(a)/15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
31.2	Certification of Chief Financial Officer Pursuant to Exchange Act Rules 13a-14(a)/15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
101	The following materials from NTIC's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2016, formatted in XBRL (Extensible Business Reporting Language): (i) the unaudited Consolidated Balance Sheets, (ii) the unaudited Consolidated Statements of Operations, (iii) the unaudited Consolidated Statements of Comprehensive Income (Loss), (iv) the unaudited Consolidated Statements of Cash Flows, and (v) Notes to Consolidated Financial Statements (filed herewith)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION

Date: January 17, 2017

Matthew C. Wolsfeld, CPA
Chief Financial Officer
(Principal Financial and Accounting Officer and
Duly Authorized to Sign on Behalf of the Registrant)

EXHIBIT INDEX

Exhibit No.	Description	Method of Filing
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32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Furnished herewith
101	The following materials from Northern Technologies International Corporation's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2016, formatted in XBRL (Extensible Business Reporting Language): (i) the unaudited Consolidated Balance Sheets, (ii) the unaudited Consolidated Statements of Operations, (iii) the unaudited Consolidated Statements of Comprehensive Income (Loss), (iv) the unaudited Consolidated Statements of Cash Flows, and (v) Notes to Consolidated Financial Statements	Filed herewith

PNC BANK

January 3, 2017

NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION
PO BOX 69
CIRCLE PINES, MN 55014-0069

Re: Renewal of Expiration Date for that certain $3,000,000.00 Committed Line of Credit ("Line of Credit") extended by PNC Bank, National Association (the "Bank") to NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION (the "Borrower")

Ladies/Gentlemen:

We are pleased to inform you that the Line of Credit has been renewed. The Expiration Date of the Line of Credit, as set forth in that certain promissory note executed and delivered by the Borrower to the Bank dated December 14, 2006 (the "Note") and/or that certain loan agreement governing the Line of Credit (the "Loan Agreement"), has been extended from January 07, 2017 to January 07, 2018, or such later date as may, in the Bank's sole discretion, be designated by the Bank by written notice from the Bank to the Borrower, effective on January 11, 2017. All sums due under the Note, the Loan Agreement or any related documents, instruments and agreements (collectively as amended from time to time, the "Loan Documents") shall be due and payable on the Expiration Date, as extended hereby. All other terms and conditions of the Loan Documents governing the Line of Credit remain in full force and effect.

It has been a pleasure working with you and I look forward to a continued successful relationship. Thank you again for your business.

Please indicate your agreement with the foregoing renewal and extension by signing the acknowledgement below.

Very truly yours,

PNC BANK, NATIONAL ASSOCIATION

* * * * *

Accepted and agreed this 11th day of January, 2017:

NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION

/s/ Matthew Wolsfeld
Matthew Wolsfeld
Chief Financial Officer

CONSULTING AGREEMENT

This Consulting Agreement (this "Agreement") is made effective as of the 11th day of January, 2017 ("Effective Date") by and among Northern Technologies International Corporation, a Delaware corporation, located at 4201 Woodland Road, Circle Pines, MN 55014 ("NTIC"), BioPlastic Polymers LLC, a Michigan limited liability company, located at 4275 Conifer Circle, Okemos, Michigan, 48864 (the "Consultant"), and Ramani Narayan, Ph.D., an individual residing at 4275 Conifer Circle, Okemos, Michigan, 48864 ("Dr. Narayan") (NTIC, Consultant and Dr. Narayan being referred to individually as a "Party" and collectively as the "Parties").

In consideration of the mutual promises exchanged herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. <u>Consulting Services</u>. The Consultant, and specifically Dr. Narayan, agrees to render consulting services of the nature described in the Addendum signed by the Parties and attached hereto, and as may be reasonably requested from time to time by NTIC's Vice President and Director – Global Market Development – Natur-Tec® or his or her designee. The Consultant agrees that this Agreement is specifically for the services of Dr. Narayan, and accordingly, the Consultant agrees to make available Dr. Narayan for purposes of providing the consulting services under this Agreement. The Addendum is incorporated into, and made part of, this Agreement. The Consultant may set its own hours with respect to its duties under this Agreement.

2. <u>Consulting Fee; Expense Reimbursement</u>. NTIC shall pay to the Consultant, a consulting fee for the consulting services performed hereunder in the amount or amounts as described in the <u>Addendum</u> signed by the Parties and attached hereto (the "Consulting Fee"). Invoices for consulting services shall be monthly as work progresses (but in no event later than forty-five (45) days after such services are rendered). NTIC shall pay all direct out-of-pocket reasonable expenses in connection with the consulting services provided to NTIC by the Consultant under this Agreement; provided, however, that the Consultant obtains NTIC's advanced written authorization before obligating NTIC for any such out-of-pocket expenses that fall outside the description of NTIC's Travel and Expense Policy.

3. <u>Confidentiality</u>.

3.1 Except as expressly permitted by NTIC and only if required by the Consultant's services to NTIC under this Agreement, neither the Consultant nor Dr. Narayan shall, at any time during the Term (as defined below) of this Agreement or thereafter, directly or indirectly disclose, furnish, make use of, or make accessible to any person, firm, corporation, or other entity, any Confidential Information (as defined in Section 3.2 below) developed or obtained by the Consultant or Dr. Narayan during the Term of this Agreement or while Dr. Narayan is or was a director of NTIC.

3.2 As used in this Agreement, Confidential Information means all information of NTIC, whether or not developed by the Consultant, and all information of NTIC's customers and suppliers, including without limitation any formula, pattern, compilation, program, device, method, technique or process, that derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can derive economic value from its disclosure or use. Confidential Information includes but is not limited to trade secrets, and it may relate to such matters as research and development, manufacturing processes, management systems and techniques, the identity and requirements of customers, the identity of suppliers, strategic or financial data or plans, and sales and marketing plans and information. Confidential Information does not lose its confidential status merely because it was known by a limited number of persons or entities or because it did not originate entirely with NTIC.

3.3 Each of the Consultant and Dr. Narayan acknowledges that the above-described knowledge and information constitutes a unique and valuable asset of NTIC and represents a substantial investment of time and expense by NTIC, that NTIC would not grant the Consultant and Dr. Narayan access to such knowledge and information in the absence of this Agreement, and that any disclosure or other use of such knowledge or information other than for the sole benefit of NTIC would be wrongful and would cause irreparable harm to NTIC. The Consultant and Dr. Narayan shall refrain from intentionally committing any acts that would materially reduce the value of such knowledge or information to NTIC.

4. INTENTIONALLY OMITTED.

5. Patents, Copyrights, Inventions and Related Matters.

5.1 University Inventions. The Parties acknowledge and agree that so long as Dr. Narayan is employed by Michigan State University ("MSU"), he is subject to the MSU Patent Policy that results in MSU owning the rights to any discovery or invention which (a) results from research carried on by, or under the direction of, any employee of MSU which is supported by MSU funds or by funds controlled or administered by MSU, or (b) results from an employee's duties with the University, or (c) has been developed in whole or in part through the utilization of MSU resources or facilities not available to the general public ("University Inventions"). The Parties acknowledge and agree that NTIC does not desire to receive consulting services that will result in University Inventions. The Consultant and Dr. Narayan covenant and agree to (a) provide the consulting services in a manner that does not result in the creation of University Inventions, unless expressly authorized by NTIC, and (b) refrain from using MSU facilities, equipment, or funds controlled or administered by the MSU in the performance of the consulting services unless requested by NTIC and in accordance with MSU policy. To the extent the Consultant or Dr. Narayan believe the requested consulting services will result in a University Invention they will notify NTIC prior to rendering such services, and receive NTIC's express written approval prior to providing such services.

5.2 Inventions. As used in this Agreement, the term "Invention" means discoveries, inventions, innovations, materials, suggestions, mask works, works of authorship, know-how, ideas (whether or not shown or described in writing or reduced to practice), conceived, reduced to practice, authored, or developed by the Consultant or Dr. Narayan or jointly with others, whether or not patentable, copyrightable or registerable. "NTIC Inventions" means any Inventions which (a) relate directly to the bioplastics or Natur-Tec® business of NTIC; (b) relate to NTIC's research or development; (c) result from services provided by the Consultant or Dr. Narayan for NTIC under this Agreement (except to the extent they are approved University Inventions); or (d) is developed by the Consultant or Dr. Narayan in connection with the performance of services under this Agreement or at any time prior to this Agreement.

5.3 Obligations Regarding NTIC Inventions. Each of the Consultant and Dr. Narayan understands that NTIC is continually developing new Inventions, products, processes and systems of which the Consultant or Dr. Narayan may have knowledge. Each of the Consultant and Dr. Narayan agrees that during the Term of this Agreement, to the extent the Consultant or Dr. Narayan is involved with NTIC Inventions, the Consultant and Dr. Narayan will (a) keep accurate, complete and timely written records of all NTIC Inventions, which records shall be NTIC's property; (b) promptly and fully disclose and describe all NTIC Inventions in writing in sufficient detail to allow NTIC, in its sole discretion, to file patent applications thereon; (c) assign (and each of the Consultant and Dr. Narayan does hereby assign) to NTIC all of the Consultant's and Dr. Narayan's rights to all NTIC Inventions, and to applications for letters patent, copyright registrations and/or mask work registrations in all countries and to letters patent, copyright registrations and/or mask work registrations granted upon such NTIC Inventions in all countries; and (d) acknowledge and deliver promptly to NTIC (without charge to NTIC but at NTIC's expense) such written instruments and to do such other acts, and continue to do such other acts after the Term as requested by NTIC, and as may be necessary in the opinion of NTIC to preserve NTIC Inventions against forfeiture, abandonment, or loss, and to obtain, defend or maintain such letters patent, copyright registrations and/or mask work registrations, and to vest the entire right and title thereto in NTIC. NTIC shall have the sole and exclusive right, but not the obligation, to file patent applications on NTIC Inventions anywhere in the world. Each of the Consultant and Dr. Narayan agrees that any materials protectable by copyright developed by Consultant or Dr. Narayan as provided in this Section 5 shall be "works made for hire" to the extent possible under U.S. or foreign copyright laws, and thus the property of NTIC (except to the extent they are approved University Inventions). To the extent such materials do not qualify as works made for hire, each of the Consultant and Dr. Narayan agrees to assign and does hereby expressly assign to NTIC the copyright in such materials on a worldwide basis (except to the extent they are approved University Inventions). Each of the Consultant and Dr. Narayan further agrees that NTIC may add to, subtract from, arrange, rearrange, revise, modify, change and adapt all Inventions, including any copyrightable or copyrighted works, created or provided by the Consultant or Dr. Narayan to NTIC under this Agreement. Each of the Consultant and Dr. Narayan hereby waives all of the Consultant's and Dr. Narayan's rights under the United States Copyright Act, including any rights provided in 17 U.S.C. § 106 and § 106A and any rights of attribution and integrity and other "moral rights of authors" with respect to the results and proceeds of the Consultant's and Dr. Narayan's work under this Agreement to the extent now or hereafter permitted by the laws of the United States of America or the laws of any other countries (except to the extent they are approved University Inventions).

5.4 Future Inventions. Each of the Consultant and Dr. Narayan recognizes that NTIC Inventions or Confidential Information relating to the Consultant's or Dr. Narayan's services to NTIC under this Agreement and conceived or made by the Consultant or Dr. Narayan, alone or with others, within one year after expiration or termination of this Agreement may have been conceived in significant part during the Term of this Agreement and in connection with the Consultant's or Dr. Narayan's performance of consulting services to NTIC under this Agreement. Accordingly, each of the Consultant and Dr. Narayan agrees that such post-Agreement Inventions and proprietary information will be presumed to have been conceived during the Term of this Agreement and are to be assigned and are hereby assigned to NTIC unless and until the Consultant or Dr. Narayan has established the contrary or the Parties agree in writing otherwise.

5.5 Appointment of Company as Agent/Attorney-in-Fact. In the event that NTIC is unable for any reason to secure the Consultant's or Dr. Narayan's signature to any document required to apply for or execute any patent, copyright, maskwork or other applications with respect to any Inventions (including improvements, renewals, extensions, continuations, divisions or continuations in part thereof), each of the Consultant and Dr. Narayan hereby irrevocably designates and appoints NTIC and its duly authorized officers and agents as the Consultant's or Dr. Narayan's agents and attorneys-in-fact to act for and on behalf and instead of the Consultant or Dr. Narayan, to execute and file any such application and to do all other lawfully permitted acts to further the prosecution and issuance of patents, copyrights, maskworks or other rights thereon with the same legal force and effect as if executed by the Consultant or Dr. Narayan.

6. Taxes. The Consultant shall have sole responsibility for payment of all federal, state and local taxes or contributions imposed or required under unemployment insurance, social security and income tax laws and for filing all required tax forms with respect to any amounts paid by NTIC to the Consultant hereunder and any amounts paid by the Consultant to Dr. Narayan. The Consultant and Dr. Narayan shall indemnify and hold NTIC harmless against any claim or liability (including penalties) resulting from failure of the Consultant to pay such taxes or contributions, or failure of the Consultant to file any such tax forms.

7. Representations, Warranties and Indemnification.

7.1 Each of the Consultant and Dr. Narayan represents that during the term of this Agreement no business relationships, employment relationships and consulting obligations of the Consultant or Dr. Narayan shall be a conflict with the obligations to NTIC set forth herein, or involve the disclosure of Confidential Information, and/or interfere with the performance of the Consultant’s and Dr. Narayan’s obligations under this Agreement.

7.2 Each of the Consultant and Dr. Narayan warrants to NTIC that each of the Consultant and Dr. Narayan: (a) has the right to enter into this Agreement, (b) has no obligations to any other person or organization that are in conflict with its obligations under this Agreement, except to MSU obligations and policy and (c) that all NTIC Inventions and proprietary materials (referred to in Section 8 below) are and will be original, and will not infringe the copyrights, trade secrets, rights of privacy or similar proprietary rights of others.

7.3 Each of the Consultant and Dr. Narayan agrees to indemnify and hold harmless NTIC against any expenses, damages, costs, losses and fees (including legal fees) incurred by NTIC in any suit, claim or proceeding brought by a third party and which is based on facts which constitute a breach of any of the warranties in this Section 7.

8. Incorporated Proprietary Materials. Each of the Consultant and Dr. Narayan agrees to notify NTIC in writing prior to incorporating any proprietary materials, whether or not patentable or patented which are owned or controlled by the Consultant or Dr. Narayan, into the goods, equipment and/or services furnished to NTIC by the Consultant or Dr. Narayan under this Agreement. Each of the Consultant and Dr. Narayan will either obtain NTIC’s written agreement to the incorporation of such proprietary materials without a license of such rights to NTIC, or the Consultant or Dr. Narayan will obtain permission to grant to NTIC an irrevocable, perpetual, transferable, nonexclusive, worldwide, royalty-free license to make, use and sell, and to have others make, use and sell on its behalf goods, equipment, services or the like incorporating such proprietary materials.

9. Term and Termination.

9.1 The term of this Agreement shall be five (5) years until January 11, 2022 (the “Term”). Unless earlier terminated by the Parties, this Agreement shall terminate on January 11, 2022. Prior to January 11, 2022, the Parties shall discuss whether to extend the Term of this Agreement. Any extension of the Term of this Agreement must be mutually agreed upon by the Parties and set forth in writing as an amendment to this Agreement or as a new written agreement. For the sake of clarity and the avoidance of any doubt, if the Parties do not extend the Term of this Agreement by written amendment to this Agreement or as a new written agreement, this Agreement shall terminate on January 11, 2022.

9.2 This Agreement may be terminated by any Party upon thirty (30) days prior written notice.

9.3 This Agreement will terminate automatically upon the death of Dr. Narayan or in the event of his disability that prevents him from performing the Consultant's duties under this Agreement for a continuous sixty (60) day period.

9.4 This Agreement may be terminated by any Party if the other Party fails to perform any of the obligations imposed upon it under the terms of this Agreement so as to be in default hereunder and fails to cure such default within ten (10) days after written notice.

9.5 Upon termination of this Agreement, the provisions of Sections 3 through 18 of this Agreement shall survive to the extent necessary to give effect to the provisions thereof.

9.6 Upon termination of this Agreement, each of the Consultant and Dr. Narayan shall return and will not retain in any form or format, all Confidential Information and all NTIC documents, data and other property in its possession or control, including without limitation NTIC-owned equipment such as computers, iPads, smart phones, cell phones, etc. and after returning these documents, data and other property, the Consultant will permanently delete from any electronic media in the Consultant's possession, custody or control (such as computers, smart phones, cell phones, hand-held devices, back-up devices, zip drives, etc.) or to which the Consultant or Dr. Narayan has or may have had access (such as remote e-mail exchange servers, back-up servers, off-site storage, etc.), all documents or electronically stored images of NTIC, including writings, drawings, graphs, charts, sound recordings, images, and other data or data compilations stored in any medium from which such information can be obtained. Each of the Consultant and Dr. Narayan agrees to provide NTIC with a list of any documents that the Consultant or Dr. Narayan created or is otherwise aware that are password-protected and the password(s) necessary to access such password-protected documents. NTIC "documents, data, and other property" includes, without limitation, computers, fax machines, cell and smart phones, access cards, keys, reports, manuals, records, product samples, trunk stock, correspondence and/or other documents or materials related to the business of NTIC that the Consultant or Dr. Narayan has compiled, generated or received while providing services to NTIC, including all copies, samples, computer data, disks, or records of such material. Notwithstanding the foregoing, if upon termination of this Agreement, Dr. Narayan will continue to be a member of the Board of Directors of NTIC, then he will not be required to return Confidential Information and NTIC documents, data and other property in his possession or control, in each case as necessary or appropriate in connection with his obligations and services as a member of the Board of Directors of NTIC.

10. Independent Contractor; No Agency. Nothing in this Agreement may be construed to establish NTIC as an employer and the Consultant or Dr. Narayan as an employee, to establish any Party as a partner or agent of the other Parties, or to create any other form of legal association that would impose liability upon a Party for any act or omission of the other Party or provide a Party with the right, power, or authority to create or impose any duty or obligation on the other Party, it being intended that each Party shall remain an independent contractor acting in its own name and for its own account. Each of the Consultant and Dr. Narayan agrees that neither the Consultant nor Dr. Narayan is entitled to any NTIC employee benefits or benefit plans of any other kind, including but not limited to, participation in NTIC's annual bonus plan, worker's compensation insurance or unemployment insurance. In the event the Internal Revenue Service ("IRS") makes a determination contrary to the status of consultant, the Consultant will furnish to NTIC a completed and fully executed IRS Form 4669 on or before April 15 of the year such request is made by NTIC. The submission of such Form 4669 will not be deemed to create an employer-employee relationship. The Consultant will not take a position on the Consultant's income tax return inconsistent with the Consultant's status as an independent contractor and will cooperate in any inquiry and dispute regarding the Consultant's status as an independent contractor that may arise from an IRS audit of NTIC.

11. Third-Party Confidential Information. Each of the Consultant and Dr. Narayan understands that NTIC does not desire to receive any confidential information in breach of their obligation to others and agrees that during the term of this Agreement, each of the Consultant and Dr. Narayan will not disclose to NTIC or use in the performance of services for NTIC, any confidential information in breach of the obligations to any third party.

12. Use of Consultant’s Written Materials. NTIC shall have the right, at no additional charge, to use, modify, reproduce and prepare derivative works based on the Consultant’s or Dr. Narayan’s documentation and literature, provided to NTIC by the Consultant or Dr. Narayan in connection with the performance of services under this Agreement, including without limitation, operating and maintenance manuals, technical publications, prints, drawings, training manuals, sales literature, and other similar materials.

13. Notices. For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered by hand or overnight courier or three postal delivery days after it has been mailed by registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth on the first page of this Agreement, or to such other address as any Party may have furnished to the other Parties in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

14. Injunctive Relief. Each of the Consultant and Dr. Narayan agrees that, in the event of any breach or threatened breach of this Agreement by the Consultant or Dr. Narayan, NTIC will be entitled to equitable relief, including injunctive relief and specific performance without posting a bond. Such relief will not be exclusive of NTIC, but will be in addition to all other remedies. In the event disclosure is legally compelled, Each of the Consultant and Dr. Narayan shall provide NTIC with prompt written notice so that NTIC can seek appropriate protections and remedies.

15. Applicable Law and Jurisdiction. The provisions of this Agreement shall be construed and interpreted in accordance with the laws of the State of Minnesota (without giving effect to the choice of law principles thereof). Each of NTIC, the Consultant and Dr. Narayan hereby (a) agrees that any action, cause of action, claim, or dispute arising under or relating to this Agreement must be brought only in the courts of the State of Minnesota, located in the County of Anoka, or the federal court of the United States located in the District of Minnesota, (b) expressly consents to personal jurisdiction in the State of Minnesota, with respect to such action, cause of action, claim, or dispute, (c) irrevocably and unconditionally consents to the exclusive jurisdiction and venue of such courts for the purposes of enforcing the terms of this Agreement or interpreting any provision, remedying any breach, or otherwise adjudicating any action, cause of action, claim, or dispute of or under this Agreement, (d) irrevocably and unconditionally waives any objection to the jurisdiction and venue required in this Section 17, and (e) agrees not to plead or claim in any such court that any such action, cause of action, claim, or dispute has been brought in an inconvenient forum. Each of the Consultant and Dr. Narayan hereby irrevocably appoints the Secretary of State of the State of Minnesota as the Consultant’s and Dr. Narayan’s agent for service of any process, summons or other document related to initiating any action hereunder to enforce the rights of NTIC. The Parties agree that before bringing any action as a result of a dispute hereunder in any permitted court in Minnesota, the Parties will first negotiate in good faith to achieve a resolution and hereby agree to a non-binding mediation of any such dispute.

16. Entire Agreement. This Agreement, including the Addendum attached hereto, is the entire agreement among NTIC, the Consultant and Dr. Narayan relating to the Consultant’s consulting relationship with NTIC. Except as expressly provided otherwise in this Agreement, this Agreement supersedes all prior oral and written agreements and communications between the Parties with respect to such subject matter. The Parties specifically and explicitly understand, acknowledge and agree that this Agreement supersedes and replaces in its entirety that certain oral agreement between NTIC and BioPlastic Polymers LLC, the material terms of which were described most recently in NTIC’s definitive proxy statement for its annual meeting of stockholders to be held on January 13, 2017 filed with the U.S. Securities and Exchange Commission on November 28, 2016.

17. Miscellaneous. No amendment to this Agreement shall be binding upon the Parties unless it is in writing and executed by all Parties. The failure of any Party at any time to require performance of any provision of this Agreement or to exercise any right provided for herein shall not be deemed a waiver of such provision or such right. All waivers must be in writing. Unless the written waiver contains an express statement to the contrary, no waiver by any Party of any breach of any provision of this Agreement or of any right provided for herein shall be construed as a waiver of any continuing or succeeding breach of such provision, a waiver of the provision itself, or a waiver of any right under this Agreement. All remedies provided for in this Agreement shall be cumulative and in addition to and not in lieu of any other remedies available to any Party at law, in equity or otherwise. If any provision or clause of this Agreement, or the application thereof under certain circumstances is held invalid, the remainder of this Agreement, or the application of such provision or clause under other circumstances, shall not be affected thereby.

18. Assignment. NTIC reserves the right to assign all or part of its rights and obligations under this Agreement to another party. Neither the Consultant nor Dr. Narayan may assign any of its right or obligations under this Agreement to another party.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their authorized representatives as of the date written below.

BIOPLASTIC POLYMERS LLC

/s/ Dr. Ramani Narayan
Ramani Narayan, Ph.D.
President and Sole Member

Jan 11, 2017
Date

NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION

/s/ Matthew Wolsfeld

CFO
Title

Jan 11, 2017
Date

/s/ Dr. Ramani Narayan
Ramani Narayan, Ph.D.

ADDENDUM TO THE CONSULTING AGREEMENT

NATURE OF CONSULTING SERVICES

NTIC hereby retains the Consultant to perform the following consulting services and such other services reasonably requested by NTIC's Vice President and Director – Global Market Development – Natur-Tec® or his designee from time to time:

- Help Natur-Tec® with technology and applications development.
- Advise on Natur-Tec® product branding/positioning.
- Bring business, scientific and technical opportunities to the attention of Natur-Tec® team at NTIC.
- Introduce business and market contacts to Natur-Tec® team at NTIC and presentation opportunities.
- Make presentations to targeted customers to articulate the value proposition for biobased and compostable plastics and Natur-Tec® team's unique skills and expertise.
- Identify potential Federal grants and help write SBIR/STTR funding proposals. Note -- 2 NSF Phase I SBIR grants; 1 NSF Phase II STTR, and one DOD Phase I and Phase II grants totaling $1.5 million to date.
- Participate in strategy development, and suggest new product ideas and line extension to Natur-Tec® products.
- Other services as may be requested from time to time related to NTIC's bioplastics program.

Consultant agrees to not provide any direction for and on behalf of NTIC to outside third parties, such as vendors, etc.

CONSULTING FEE

NTIC agrees to pay the Consultant $12,000 per month of consulting services provided to NTIC by the Consultant under this Agreement.

CONSULTANT'S POINT OF CONTACT AT TORNIER

The Consultant's point of contact at NTIC shall be NTIC's Vice President and Director – Global Market Development – Natur-Tec® or his designee. All questions regarding this Agreement should be directed to the point of contact.

BIOPLASTIC POLYMERS LLC	NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION
/s/ Dr. Ramani Narayan	/s/ Matthew Wolsfeld
Ramani Narayan, Ph.D. President and Sole Member	
Jan 11, 2017	CFO
Date	Title
	Jan 11, 2017
	Date

/s/ Dr. Ramani Narayan
Ramani Narayan, Ph.D.

Exhibit 31.1

CERTIFICATION PURSUANT TO SECTION 302(a) OF THE SARBANES-OXLEY ACT OF 2002

I, G. Patrick Lynch, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Northern Technologies International Corporation;

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(s) 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 reporting 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(s) and I have disclosed, based on our most recent evaluation of internal controls over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal controls 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 controls over financial reporting.

Date: January 17, 2017

Patrick Lynch

G. Patrick Lynch
President and Chief Executive Officer
(principal executive officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO SECTION 302(a) OF THE SARBANES-OXLEY ACT OF 2002

I, Matthew C. Wolsfeld, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Northern Technologies International Corporation;

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(s) 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 reporting 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(s) and I have disclosed, based on our most recent evaluation of internal controls over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal controls 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 controls over financial reporting.

Date: January 17, 2017

Matthew C. Wolsfeld, CPA
Chief Financial Officer and Corporate Secretary
(principal financial officer)

Exhibit 32.1

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 Quarterly Report of Northern Technologies International Corporation (the “Company”) on Form 10-Q for the period ended November 30, 2016 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, G. Patrick Lynch, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

(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.

Patrick Lynch

G. Patrick. Lynch
President and Chief Executive Officer
(principal executive officer)

Circle Pines, Minnesota
January 17, 2017

Exhibit 32.2

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 Quarterly Report of Northern Technologies International Corporation (the “Company”) on Form 10-Q for the period ended November 30, 2016 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Matthew C. Wolsfeld, Chief Financial Officer and Corporate Secretary of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

(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.

Matthew C. Wolsfeld, CPA
Chief Financial Officer and Corporate Secretary
(principal financial officer and principal accounting officer)

Circle Pines, Minnesota
January 17, 2017