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

FORM 10-Q

(Mark one)

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

For the quarterly period ended November 30, 2009

o 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)	(IRS Employer Identification No.)

4201 Woodland Rd
Circle Pines, Minnesota 55014
(Address of principal executive offices)

(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 x NO o

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 o NO o

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 o	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company x

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

As of January 14, 2010, 4,240,679 shares of common stock of the registrant were outstanding.

NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION
FORM 10-Q
November 30, 2009

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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, its wholly owned subsidiaries – NTI Facilities, Inc., Northern Technologies Holding Company, LLC and React-NTI, LLC, all of which are consolidated on NTIC's financial statements.

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

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS AS OF NOVEMBER 30, 2009 (UNAUDITED) AND AUGUST 31, 2009

	November 30, 2009	August 31, 2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,341,999	$ 138,885
Receivables:		
Trade excluding corporate joint ventures, less allowance for doubtful accounts of $79,000 at November 30, 2009 and August 31, 2009	1,996,317	1,373,802
Trade corporate joint ventures	928,964	662,954
Technical and other services, corporate joint ventures	1,295,133	1,760,602
Income taxes	149,197	173,038
Inventories	2,050,091	2,002,622
Prepaid expenses	279,654	138,086

Deferred income taxes	218,900	218,900
Total current assets	9,260,255	6,468,889
PROPERTY AND EQUIPMENT, net	3,457,316	3,542,169
OTHER ASSETS:		
Investments in corporate joint ventures:		
Industrial chemical	14,885,034	13,727,097
Industrial non-chemical	333,076	337,025
Deferred income taxes	1,336,700	1,336,700
Notes receivable	140,000	140,000
Industrial patents and trademarks, net	909,486	888,065
Other	36,007	42,975
	17,640,303	16,471,862
	$ 30,357,874	$ 26,482,920
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Borrowings made on line of credit	$ —	1,077,000
Current portion of note payable (Note 6)	1,171,472	1,179,973
Accounts payable	1,128,700	630,363
Accrued liabilities:		
Payroll and related benefits	355,731	261,579
Deferred joint venture royalties	288,000	288,000
Other	393,803	304,202
Total current liabilities	3,337,706	3,741,117
COMMITMENTS AND CONTINGENCIES (Note 13)		
STOCKHOLDERS' 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 4,240,679 and 3,756,596, respectively	84,814	75,132
Additional paid-in capital	8,889,935	5,631,767
Retained earnings	15,763,669	15,327,962
Accumulated other comprehensive income	2,281,750	1,706,942
Total stockholders' equity	27,020,168	22,741,803
	$ 30,357,874	$ 26,482,920

See notes to consolidated financial statements.

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NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
THREE MONTHS ENDED NOVEMBER 30, 2009 AND 2008

	November 30, 2009	November 30, 2008
NORTH AMERICAN OPERATIONS:		
Net sales	$ 2,711,402	$ 3,270,944
Cost of goods sold	1,757,496	2,292,967
Gross profit	953,906	977,977
Operating expenses:		
Selling	561,652	770,570
General and administrative	920,029	941,438
Lab and technical support	35,117	6,067
	1,516,798	1,718,075
NORTH AMERICAN OPERATING LOSS	(562,892)	(740,098)
CORPORATE JOINT VENTURES AND HOLDING COMPANIES:		
Equity in income of industrial chemical corporate joint ventures and holding companies	724,456	655,532
Equity in (loss) income of industrial non-chemical corporate joint ventures and holding companies	(18,557)	3,234
Fees for technical support and other services provided to corporate joint ventures	1,151,930	1,320,719
Expenses incurred in support of corporate joint ventures	(856,566)	(1,178,034)
INCOME FROM ALL CORPORATE JOINT VENTURES AND HOLDING COMPANIES	1,001,263	801,451
INTEREST INCOME	1,496	445
INTEREST EXPENSE	(25,987)	(31,898)

OTHER INCOME	6,825	6,826
MINORITY INTEREST	—	9,160
INCOME BEFORE INCOME TAX EXPENSE	420,705	45,886
INCOME TAX (BENEFIT) EXPENSE	(15,000)	33,000
NET INCOME	$ 435,705	$ 12,886
NET INCOME PER COMMON SHARE:		
Basic	$ 0.11	$ 0.00
Diluted	$ 0.10	$ 0.00
WEIGHTED AVERAGE COMMON SHARES ASSUMED OUTSTANDING:		
Basic	4,149,096	3,735,433
Diluted	4,165,441	3,770,572

See notes to consolidated financial statements.

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NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
THREE MONTHS ENDED NOVEMBER 30, 2009 AND 2008

	November 30, 2009	November 30, 2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 435,705	$ 12,886
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Expensing of fair value of stock options vested	46,302	25,000
Depreciation expense	95,254	97,818
Amortization expense	38,475	38,633
Minority interest	—	(9,160)
Equity in (income) loss from corporate joint ventures:		
Industrial chemical	(724,456)	(655,532)
Industrial non-chemical	18,557	(3,234)
Change in current assets and liabilities:		
Receivables:		
Trade excluding corporate joint ventures	(504,596)	(25,469)
Trade corporate joint ventures	(266,010)	(387,401)
Technical and other services receivables, corporate joint ventures	465,469	904,589
Income taxes	23,841	(104,444)
Inventories	(47,469)	296,222
Prepaid expenses and other	(134,600)	(185,409)
Accounts payable	141,950	12,080
Accrued liabilities	183,753	(647,437)
Net cash used in operating activities	(227,823)	(630,858)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Dividends received from corporate joint ventures	8,801	2,056,311
Additions to property and equipment	(10,401)	(80,615)
Additions to industrial patents	(59,896)	(15,996)
Net cash (used in) provided by investing activities	(61,497)	1,959,700
CASH FLOWS FROM FINANCING ACTIVITIES:		
Bank overdraft	—	(1,039,757)
Repayment of note payable	(8,501)	(7,041)
Proceeds from issuance of common stock	3,552,000	—
Stock options exercised	9,225	
Net repayments made on line of credit	(1,077,000)	(86,000)
Proceeds from employee stock purchase plan	16,710	—
Net cash provided by (used in) financing activities	2,492,434	(1,132,798)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,203,114	196,045
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	138,885	260,460
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 2,341,999	$ 456,505

See notes to consolidated financial statements.

NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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, 2009 and the results of their operations for the three months ended November 30, 2009 and November 30, 2008 and their cash flows for the three months ended November 30, 2009 and November 30, 2008, 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, 2009 and 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, 2009 are not necessarily indicative of the results that may be expected for the full fiscal year ending August 31, 2010.

The Company has evaluated subsequent events occurring through January 14, 2010, the date on which this quarterly report on Form 10-Q was issued.

2. INVENTORIES

Inventories consisted of the following:

	November 30, 2009	August 31, 2009
Production materials	$ 983,244	$ 947,677
Finished goods	1,066,847	1,054,945
	$ 2,050,091	$ 2,002,622

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	November 30, 2009	August 31, 2009
Land	$ 310,365	$ 310,365
Buildings and improvements	3,083,594	3,083,598
Machinery and equipment	1,596,439	1,641,878
	4,990,398	5,035,841
Less accumulated depreciation	(1,533,082)	(1,493,672)
	$ 3,457,316	$ 3,542,169

4. INDUSTRIAL PATENTS AND TRADEMARKS, NET

Industrial patents and trademarks consisted of the following:

	November 30, 2009	August 31, 2009
Patents and trademarks	$ 1,490,239	$ 1,430,352
Less accumulated amortization	(580,754)	(542,287)
	$ 909,486	$ 888,065

Patent and trademark costs are amortized over seven years once a patent or trademark is filed and approved. Amortization expense related to patents and trademarks was $38,475 and $33,962 for the three months ended November 30, 2009 and 2008, respectively. Amortization expense is estimated to approximate $160,000 in each of the next five fiscal years.

5. INVESTMENTS IN CORPORATE JOINT VENTURES

Composite financial information from the audited and unaudited financial statements of the Company's joint ventures carried on the equity basis is summarized as follows:

	November 30, 2009	August 31, 2009
Current assets	$ 46,611,112	$ 43,863,290
Total assets	53,707,381	50,224,882
Current liabilities	14,896,221	17,260,943
Noncurrent liabilities	5,738,166	2,325,943
Joint ventures' equity	33,072,994	30,637,996
Northern Technologies International Corporation's share of corporate joint ventures' equity	$ 15,218,110	$ 14,064,122

	November 30, 2009	November 30, 2008
Net sales	$ 19,480,538	$ 21,109,585
Gross profit	9,600,769	9,466,704
Net income	1,405,086	1,102,716
Northern Technologies International Corporation's share of equity in income of corporate joint ventures	$ 705,899	$ 658,766

The financial statements of the Company's foreign joint ventures are prepared using accounting principles accepted in the joint ventures' countries of domicile. Amounts related to foreign joint ventures reported in the above tables and the accompanying financial statements have been adjusted to approximate U.S. GAAP in all material respects. All material profits recorded on sales from the Company to its joint ventures have been eliminated for financial reporting purposes.

6. CORPORATE DEBT

The Company has a demand line of credit of $2,300,000 with National City Bank. Advances made under the demand line of credit are made at the sole discretion of National City Bank and are due and payable on demand. Outstanding amounts under the demand line of credit bear interest at an annual rate based on LIBOR plus 2.25%. As of November 30, 2009, the interest rate was 2.49% and the weighted average rate was 2.50% for the three months ended November 30, 2009. As of November 30, 2008, the interest rate was 3.87% and the weighted average rate was 5.04% for the three months ended November 30, 2008. Interest is payable in arrears on the 15th day of each month and on demand. There were no amounts outstanding under the demand line of credit and no amounts were committed under the line of credit to cover letters of credit as of November 30, 2009. As of November 30, 2008, NTIC had no borrowings under its $2,300,000 demand line of credit and $600,000 was committed under the demand line of credit to cover a letter of credit.

In connection with the purchase of its corporate headquarters, in September 2006, the Company entered into a term loan with a principal amount of $1,275,000 that matures on May 1, 2011, bears interest at a fixed rate of 8.01% and is payable in 59 monthly payments equal to approximately $10,776 (inclusive of principal and interest). All of the remaining unpaid principal and accrued interest is due and payable on the maturity date. The term loan is secured by a first lien on the Company's Circle Pines facility pursuant to a Mortgage dated as of May 3, 2006 between Northern Technologies Holding Company LLC and National City Bank and is guaranteed by the Company.

Under the note governing the term loan, the Company is subject to a minimum debt service coverage ratio of 1.0:1.0. At August 31, 2009, the Company failed to meet this financial covenant and no waiver from the bank was obtained by the Company for the covenant violation. As a result, an event of default occurred under the note and the bank has the right in its discretion, by giving written notice to the Company, to declare the amount outstanding under the note immediately due and payable in full. As a result, the Company classified all amounts outstanding with National City Bank as current liabilities on its consolidated balance sheets as of November 30, 2009 and August 31, 2009.

7. STOCKHOLDERS' EQUITY

During the three months ended November 30, 2009, the Company did not purchase or retire any shares of its common stock. The following stock options to purchase shares of common stock were exercised during the three months ended November 30, 2009:

Options Exercised	Exercise Price
1,500	$ 6.15

The Company granted stock options under the Northern Technologies International Corporation 2007 Stock Incentive Plan to purchase an aggregate of 122,000 shares of its common stock to various employees during the three months ended November 30, 2009. The weighted average per share exercise price of the stock options is $7.88, which is equal to 100 percent of the fair market value of the Company's common stock on the date of grant.

In September 2009, the Company completed a $3,552,000 registered direct offering in which it sold an aggregate of 480,000 shares of its common stock to institutional investors at a purchase price of $7.40 per share, resulting in net proceeds of $3,195,613, after deducting placement agent fees and expenses and NTIC's offering expenses.

During the three months ended November 30, 2008, the Company did not purchase or retire any shares of its common stock and no stock options to purchase shares of the Company's common stock were exercised or granted. The Company granted stock bonuses under the Northern Technologies International Corporation 2007 Stock Incentive Plan for an aggregate of 21,513 shares of its common stock to various employees during the three months ended November 30, 2008. The fair value of the shares of the Company's common stock as of the date of grant of the stock bonuses was $226,961, based on the closing sale price of a share of the Company's common stock on that date.

8. TOTAL COMPREHENSIVE INCOME

The Company's total comprehensive income (loss) was as follows:

	Three Months Ended	
	November 30, 2009	November 30, 2008
Net income	$ 435,705	$ 12,886
Other comprehensive income (loss) - foreign currency translation adjustment	574,808	(1,578,958)

Total comprehensive income (loss)	$ 1,010,513	$ (1,566,072)

9. 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.

Options to purchase shares of common stock of 195,139 and 65,140 were excluded from the computation of common share equivalents as of November 30, 2009 and 2008, respectively, as stock option exercise prices were greater than market price of a share of common stock.

10. STOCK-BASED COMPENSATION

In January 2007, the Company's stockholders approved the Northern Technologies International Corporation 2007 Stock Incentive Plan (the "2007 Plan") and the Northern Technologies International Corporation Employee Stock Purchase Plan (the "ESPP"). The Compensation Committee of the Board of Directors administers both of the plans.

The 2007 Plan replaced the Northern Technologies International Corporation 2000 Stock Incentive Plan, which was terminated with respect to future grants, but will continue to govern grants outstanding under such plan. 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. Up to a total of 400,000 shares of the Company's common stock has been reserved for issuance under the 2007 Plan, subject to adjustment as provided in the 2007 Plan. Options granted under the 2007 Plan generally have a term of five years and become exercisable over a three- or four-year period beginning on the one-year anniversary of the date of date. Options are granted at per share exercise prices equal to the market value of the Company's common stock on the date of grant. To date, only stock options and stock bonuses have 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 126,000 and 30,000 shares of its common stock during the three months ended November 30, 2009 and 2008, 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. Based on these valuations, the Company recognized compensation expense of $46,302 and $25,000 during the three months ended November 30, 2009 and 2008, respectively, related to the options that vested during such time period. The stock-based expense recorded reduced after-tax net income per share by $0.01 for the three months ended

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November 30, 2009 and 2008. As of November 30, 2009, the total compensation cost for non-vested options not yet recognized in the Company's statements of income was $394,901, net of estimated forfeitures. Additional stock-based compensation expense of $138,907 is expected through the remainder of fiscal year 2010, and expense of $147,610 and $108,383 is expected to be recognized during fiscal 2011 and 2012, respectively. Future option grants will impact the compensation expense recognized.

The Company currently estimates a ten percent forfeiture rate for stock options, but will continue to review this estimate in 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, 2009	November 30, 2008
Dividend yield	2.00%	2.00%
Expected volatility	48.1%	46.7%
Expected life of option	5 years	5 years
Average risk-free interest rate	2.34%	2.88%

The weighted average fair value of options granted during the three months ended November 30, 2009 and 2008 was $2.96 and $4.78, respectively.

11. GEOGRAPHIC AND SEGMENT INFORMATION

Net sales by geographic location as a percentage of total consolidated net sales were as follows:

	November 30, 2009	November 30, 2008
Inside the U.S.A. to unaffiliated customers	74.9%	89.3%
Outside the U.S.A. to:		
Corporate joint ventures in which the Company is a shareholder directly and indirectly	19.6	7.2
Unaffiliated customers	5.5	3.5
	100.0%	100.0%

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

The following table sets forth the Company's net sales for the three months ended November 30, 2009 and 2008 by segment:

	November 30, 2009	November 30, 2008	$ Change	% Change
ZERUST® sales	$ 2,627,555	$ 2,788,628	$ (161,073)	(5.8)%
Natur-Tec® sales	83,846	482,316	(398,470)	(82.6)%
Total North American net sales	$ 2,711,402	$ 3,270,944	$ (559,542)	(20.6)%

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The following table sets forth the Company's cost of sales for the three months ended November 30, 2009 and 2008 by segment:

	November 30, 2009	% of Product Sales*	November 30, 2008	% of Product Sales*
Direct Cost of Sales				
ZERUST® cost of goods sold	$ 1,417,508	53.9%	$ 1,596,583	57.3%
Natur-Tec® cost of goods sold	59,018	70.4%	399,188	82.8%
Indirect Cost of goods sold	280,970	—	297,196	—
Total North American net cost of goods sold	$ 1,757,496	64.8%	$ 2,292,967	70.1%

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

The Company's management 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.

12. RESEARCH AND DEVELOPMENT

During the year ended August 31, 2009, the Company was awarded multiple research and development contracts. The Company accrues proceeds received under the grants and offsets research and development expenses incurred in equal installments over the timelines associated with completion of the grants specific objectives and milestones. At November 30 and August 31, 2009, the Company deferred amounts received of $181,953 and $145,562 in other accrued liabilities, as the Company had not yet performed under the obligations of the contracts.

The Company expenses all costs related to product research and development as incurred. The Company incurred $797,785 and $722,078 during the three months ended November 30, 2009 and 2008, respectively, in connection with its research and development activities. These amounts are reduced by reimbursements of $109,172 and $0 for the three months ended November 30, 2009 and 2008, respectively. The net fees are accounted for in the "Expenses incurred in support of corporate joint ventures" section of statements of operations.

13. COMMITMENTS AND CONTINGENCIES

On November 20, 2009, the Company's Board of Directors, upon recommendation of the Compensation Committee, approved the material terms of an annual bonus plan for the Company's executive officers and certain employees for the fiscal year ending August 31, 2010, the purpose of which is to align the interests of the Company, its executive officers and stockholders by providing an incentive for the achievement of key corporate and individual performance measures that are critical to the success of the Company and linking a significant portion of each executive officer's annual compensation to the achievement of such measures. The following is a brief summary of the material terms approved by the Board:

- The total amount available under the bonus plan will be up to 25% of the Company's earnings before interest, taxes and other income (EBITOI);

- The total amount available under the cash bonus plan will be $0 if EBITOI, as adjusted to take into account amounts to be paid under the bonus plan, fall below 70% of target EBITOI; and

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- The payment of bonuses under the plan will be purely discretionary and will be paid to executive officer participants in both cash and stock, the exact amount and percentages of which will be determined by the Company's Board of Directors, upon recommendation of the Compensation Committee.

There was a $158,000 management bonus accrual as of November 30, 2009 compared to a management bonus accrual of zero as of November 30, 2008.

In April 2007, REACT-NTI, LLC ("React LLC"), a company that is 75% owned by the Company, was served with a summons and complaint that was filed by Shamrock Technologies, Inc. ("Shamrock") in state court in New York. This case has been removed to the Federal District Court for the Southern District of New York. The lawsuit seeks payment from React LLC of commissions in the approximate amount of $314,500 owed by React LLC under a license agreement between React LLC and Shamrock. The complaint alleges breach of the license agreement by React LLC and seeks damages in an unspecified amount for such breach as well as damages of approximately $300,000 for the alleged failure of React LLC to purchase from Shamrock certain inventory manufactured for sale to a customer. Shamrock further claims lost profits with respect to sales made by Shamrock that were manufactured by parties other than React LLC. React LLC acknowledges that React LLC has not made payment for product in the approximate amount of $300,000 to Shamrock as the invoice for this was only received after Shamrock had already filed its complaint, but denies all of the claims of breach of the license agreement by it and believes that damages caused by Shamrock's breach of the license agreement and tortious conduct exceed any amounts owing to Shamrock. React LLC formally responded to the complaint after removal by moving to dismiss or stay because of Shamrock's failure to comply with alternative dispute resolution procedures contained in the license agreement. By court order, the matter was stayed so that the parties could attempt mediation. The parties mediated for one day and were unsuccessful in resolving the matter. The parties proceeded with discovery, exchanging answers to interrogatories and documents, and the parties also obtained documents by subpoena from third parties. With more complete information, the parties decided to dismiss their respective claims without prejudice and return to mediation. A mediation session was held on December 4, 2008, and the parties continued to negotiate through the mediator thereafter without any final agreement by either party. Because the mediation and negotiation process did not result in a final settlement, there can be no permanent assurance at the present time that the matter will not result in a material adverse effect on the Company's business, financial condition or results of operations at some point in the future.

From time to time, the Company is involved in various legal actions arising in the normal course of business. Management is of the opinion that any judgment or settlement resulting from any currently pending or threatened actions would not have a material adverse effect on the Company's financial position or consolidated results of operations.

14. STATEMENTS OF CASH FLOWS

The Company did not declare or pay any cash dividends during fiscal 2009 and as of January 14, 2010, had not declared or paid any cash dividends during fiscal 2010.

The Company issued 21,513 shares of common stock as stock bonuses under its stock incentive plans to various employees to satisfy $226,961 of accrued payroll liability during the quarter ended November 30, 2008. No shares of common stock as stock bonuses were issued during the quarter ended November 30, 2009.

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." 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."

General Overview

NTIC develops and markets proprietary environmentally beneficial products and technical services either directly or via a network of joint ventures and independent distributors in over 50 countries. NTIC's primary business is corrosion prevention. In addition to this core business, NTIC has three new businesses that have started recently to generate revenue (1) corrosion prevention technology specifically designed for the oil and gas industry, which NTIC sells both directly and through joint ventures; (2) a product line of compounds and finished products based on a portfolio of proprietary bio-plastic technologies marketed under the Natur-Tec® brand, which NTIC sells directly and through distributors and manufacturer's sales representatives; and (3) technology and equipment that converts plastic waste into diesel, gasoline and heavy fractions, which is exclusively licensed and sold through NTIC's joint venture Polymer Energy, LLC in North America and Asia.

NTIC participates, either directly or indirectly through holding companies, in 27 active corporate joint venture arrangements in North America, South America, Europe, Asia and the Middle East. Each of these joint ventures generally manufactures and markets finished products in the geographic territory to which it is assigned. While most of NTIC's joint ventures currently sell rust and corrosion inhibiting products and custom packaging systems, NTIC also has joint ventures that manufacture, market and sell corrosion prevention technology for the oil and gas industry and the Polymer Energy™ technology and equipment that converts plastic waste into diesel, gasoline, and heavy fractions. The profits of NTIC's corporate joint ventures are shared by the respective corporate joint venture owners in accordance with their respective ownership percentages. NTIC typically owns 50% of its joint venture entities and thus does not control the decisions of these entities regarding whether to pay dividends or how much to pay in dividends in any given year.

NTIC has been selling its proprietary ZERUST® and EXCOR® rust and corrosion inhibiting products and services to the automotive, electronics, electrical, mechanical, military and retail consumer markets for over 30 years. NTIC also offers worldwide on-site technical consulting for rust and corrosion prevention issues. In North America, NTIC markets its technical services and ZERUST® products principally to industrial users by a direct sales force and a network of independent distributors. NTIC's technical service consultants work directly with the end users of NTIC's products to analyze their specific needs and develop systems to meet their technical requirements.

NTIC has developed proprietary corrosion inhibiting technologies for use in the mitigation of corrosion in capital assets used in the petroleum and process chemical industry and is initially targeting the sale of these new ZERUST® products to the oil and gas industry sector. During fiscal 2009, NTIC announced the signing of a multi-year contract between NTIC's Brazilian joint venture (Zerust Prevencao de Corrosao S.A.) and Petroleo Brasileiro S.A. (Petrobras) to install and service proprietary corrosion protection technologies on the roofs of an initial set of aboveground oil storage tanks at the Petrobras REDUC refinery in Rio de Janeiro, Brazil. Also during fiscal 2009, NTIC signed multiple joint research and development contracts with Petrobras's research and development group at the Leopoldo Américo Miguez de Mello Research & Development Center (CENPES) pursuant to which the parties will undertake a 20-month Petrobras funded effort to explore, understand and

resolve bottom plate corrosion issues in aboveground storage tanks. A second 12-month Petrobras sponsored project also has started aimed at field trials of certain pipeline protection technologies. These initiatives are designed to help mitigate corrosion for critical oil and gas industry infrastructure. NTIC also is pursuing opportunities to market its ZERUST® corrosion prevention technology to other potential customers in the oil and gas industry across several countries through NTIC's joint venture partners and other strategic partners. NTIC believes the sale of its ZERUST® products to customers in the oil and gas industry will involve a long sales cycle, likely including a one- to two-year trial period with each customer and a slow integration process thereafter.

In addition to ZERUST® products and services, NTIC develops and markets a portfolio of bio-based and/or biodegradable (compostable) 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 disposal options. Natur-Tec® bio-based and biodegradable plastics are manufactured using NTIC's patented and/or proprietary technologies and are intended to replace conventional petroleum-based plastics. The Natur-Tec® bioplastics portfolio includes flexible film, foam, rigid injection molded materials and engineered plastics. Natur-Tec® biodegradable and compostable finished products include shopping and grocery bags, lawn and leaf bags, can liners, pet waste collection bags, cutlery, packaging foam and coated paper products and are engineered to be fully biodegradable in a composting environment.

NTIC's Polymer Energy LLC joint venture markets and sells a system that uses catalytic pyrolysis to convert plastic waste (primarily polyolefins) into hydrocarbons (primarily a mix of diesels, gasoline and heavy fractions) resulting in an economically viable and environmentally responsible alternative to current methods of recycling and disposal of plastic waste. Each unit can process up to ten tons of plastic waste per day, and the modular design allows for easily scalable capacity. The Polymer Energy™ process can handle plastic that is contaminated with other types of waste such as metals, glass, dirt and water and the system can tolerate up to 25% of other waste in the input waste stream. The output crude oil mix is high-grade and can be further processed in a refinery or used as an input for co-generation of electricity.

Financial Overview

NTIC's consolidated net sales decreased 17.1% during the three months ended November 30, 2009 as compared to the three months ended November 30, 2008 primarily as a result of decreased sales of its new Natur-Tec® products. Net sales, however, increased 43.0% during the three months ended November 30, 2009 compared to the three months ended August 31, 2009.

Net sales of ZERUST® products decreased slightly by 5.8% to $2,627,555 during the three months ended November 30, 2009 compared to $2,788,628during the three months ended November 30, 2008 primarily as a result of decreased demand. Net sales of ZERUST® products, however, increased 41.9% during the three months ended November 30, 2009 compared to the three months ended August 31, 2009.

During the three months ended November 30, 2009, 3.1% of NTIC's consolidated net sales were derived from the sales of its Natur-Tec® products compared to 14.7% during the three months ended November 30, 2008. Net sales of Natur-Tec® products decreased by 82.6% to $83,846 during the three months ended November 30, 2009 compared to $482,316 during the three months ended November 30, 2008. This decrease was primarily due to several large stocking orders of Natur-Tec® products during the three months ended November 30, 2008. Net sales of Natur-Tec® products increased 112.2% during the three months ended November 30, 2009 compared to the three months ended August 31, 2009.

Cost of goods sold as a percentage of net sales decreased to 64.8% for the three months ended November 30, 2009 compared to 70.1% for the three months ended November 30, 2008 primarily as a result of decreased raw material costs for ZERUST® products.

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Total net sales of all of NTIC's joint ventures decreased 7.7% to $19,480,538 during the three months ended November 30, 2009 compared to $21,109,585 during the three months ended November 30, 2008 primarily as a result of decreased demand for ZERUST® products due to the global economic slowdown. NTIC recognized a 12.8% decrease in fee income for technical and support services as a result of the decrease in total net sales of the joint ventures, but also incurred a 27.3% decrease in direct joint venture expense. NTIC's equity in income of corporate joint ventures and holding companies increased 7.2% to $705,899 during the three months ended November 30, 2009 compared to $658,766 during the three months ended November 30, 2008. NTIC's total income from its corporate joint ventures and holding companies increased 24.9% to $1,001,263 for the three months ended November 30, 2009 compared to $801,451 for the three months ended November 30, 2008.

During the year ended August 31, 2009, the Company was awarded multiple research and development contracts. The Company accrues proceeds received under the grants and offsets research and development expenses incurred in equal installments over the timelines associated with completion of the grants specific objectives and milestones. At November 30 and August 31, 2009, the Company deferred amounts received of $181,953 and $145,562 in other accrued liabilities, as the Company had not yet performed under the obligations of the contracts.

The Company expenses all costs related to product research and development as incurred. The Company incurred $797,785 and $722,078 during the three months ended November 30, 2009 and 2008, respectively, in connection with its research and development activities. These amounts are reduced by reimbursements of $109,172 and $0 for the three months ended November 30, 2009 and 2008, respectively. NTIC anticipates that it will spend between $3,000,000 and $3,500,000 in total during fiscal 2010 on research and development activities related to its new technologies. The net fees are accounted for in the "Expenses incurred in support of corporate joint ventures" section of statements of operations.

Net income increased 3281% to $435,705, or $0.10 per diluted common share, for the three months ended November 30, 2009 compared to $12,885, or $0.00 per diluted common share, for the three months ended November 30, 2008. This increase was primarily the result of the cost control initiatives that NTIC initiated during second quarter of fiscal 2009 and remained in place through first quarter of fiscal 2010 and the increased income from its corporate joint ventures and holding companies.

NTIC's working capital was $5,922,549 at November 30, 2009, including $2,341,999 in cash and cash equivalents. As of November 30, 2009, NTIC had no borrowings under its $2,300,000 demand line of credit. In September 2009, NTIC completed a $3,552,000 registered direct offering in which it sold an aggregate of 480,000 shares of its common stock to institutional investors at a purchase price of $7.40 per share, resulting in net proceeds of $3,195,613, after deducting placement agent fees and expenses and NTIC's offering expenses.

NTIC expects to meet its future liquidity requirements during at least the next 12 months by using its existing cash and cash equivalents, forecasted cash flows from future operations, distributions of earnings and technical assistance fees to NTIC from its joint ventures and holding companies and funds available through existing or anticipated financing arrangements. NTIC also may raise additional financing to help fund its new businesses through the issuance of debt or equity securities.

Results of Operations

The following table sets forth NTIC's results of operations for the three months ended November 30, 2009 and 2008. These results of operations exclude the impact of NTIC's activities with its joint ventures and holding companies, other than its former joint venture React-NTIC LLC. As explained in more detail in Note 1 to NTIC's consolidated financial statements contained in NTIC's annual report on Form 10-K for the fiscal year ended August 31, 2009, the results of React-NTIC LLC are included in NTIC's consolidated results of operations and

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thus included in the table below. NTIC does not consolidate the results of its other joint ventures or holding companies.

	November 30, 2009	% of Net Sales	November 30, 2008	% of Net Sales	$ Change	% Change
Net sales	$ 2,711,402	100%	$ 3,270,944	100.0%	$ (559,542)	(17.1)%
Cost of goods sold	1,757,496	64.8%	2,292,967	70.1%	(535,471)	(23.4)%
Selling expenses	561,652	20.7%	770,570	23.6%	(208,918)	(27.1)%
General and administrative expenses	920,029	33.9%	941,438	28.8%	(21,409)	(2.3)%
Lab and technical support expenses	35,117	1.3%	6,067	0.2%	29,050	478.8%

Net Sales. NTIC's net sales originating in the United States decreased 17.1% during the three months ended November 30, 2009 compared to the three months ended November 30, 2008 primarily as a result of a decrease in sales of Natur-Tec® products which decreased by 82.6% to $83,846 during the three months ended November 30, 2009 compared to $482,316 during the three months ended November 30, 2008. The decrease in sales of Natur-Tec® products was primarily due to several large stocking orders of Natur-Tec® products during the three months ended November 30, 2008 that were one time sales of product. Net sales of Natur-Tec® products increased 112.2% during the three months ended November 30, 2009 compared to $39,505 during the three months ended August 31, 2009.

Net sales of ZERUST® products decreased 5.8% to $2,627,555 during the three months ended November 30, 2009 compared to $2,788,628 during the three months ended November 30, 2008. Net sales of ZERUST® products increased $775,511, or 41.9%, during the three months ended November 30, 2009 compared to $1,852,044 during the three months ended August 31, 2009.

The following table sets forth additional detail regarding NTIC's net sales by product category for the three months ended November 30, 2009 and 2008:

	November 30, 2009	November 30, 2008	$ Change	% Change
ZERUST® sales	$ 2,627,555	$ 2,788,628	$ (161,073)	(5.8)%
Natur-Tec® sales	83,846	482,316	(398,470)	(82.6)%
Total North American net sales	$ 2,711,402	$ 3,270,944	$ (559,542)	(17.1)%

Cost of Goods Sold. Cost of goods sold decreased 23.4% for the three months ended November 30, 2009 compared to the three months ended November 30, 2008 primarily as a result of decreased net sales as described above. Cost of sales as a percentage of net sales decreased to 64.8% for the three months ended November 30, 2009 compared to 70.1% for the three months ended November 30, 2008 primarily as a result of decreased raw material costs for ZERUST® products.

Selling Expenses. NTIC's selling expenses decreased 27.1% for the three months ended November 30, 2009 compared the three months ended November 30, 2008 due to decreases in i) salaries of $66,000, ii) consulting expense of $31,000, iii) advertising and web development of $31,000, iv) commissions of $19,000 and v) travel expenses of $44,000. Selling expenses as a percentage of net sales decreased to 20.7% for the three months ended November 30, 2009 compared to 23.6% for the three months ended November 30, 2008 primarily due to the decrease in selling expenses described above.

General and Administrative Expenses. NTIC's general and administrative expenses decreased 2.3% for the three months ended November 30, 2009 compared to the three months ended November 30, 2008. As a percentage of

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net sales, general and administrative expenses increased to 33.9% for the three months ended November 30, 2009 compared to 28.8% for the three months ended November 30, 2008 primarily as a result of fixed general and administrative expenses spread over decreased net sales, partially offset by costs savings as a result of NTIC's cost reduction efforts during second quarter of fiscal 2009.

NTIC includes expenses in general and administrative expenses that provide benefit to the various joint ventures in addition to providing benefit to NTIC's North American operations, including specifically, expenses associated with information technology, general insurance, executive and non-executive salaries, bonuses and benefits, building expenses, audit and tax fees and expenses and directors fees and expenses.

Lab and Technical Support Expenses. NTIC's lab and technical support expenses increased to $35,117 for the three months ended November 30, 2009 compared to $6,067 for the three months ended November 30, 2008. This increase was primarily the result of a change in the allocation of lab and technical support expenses to sales expense. As a percentage of net sales, lab and technical support expenses increased by a negligible amount.

International Corporate Joint Ventures and Holding Companies. Net sales of NTIC's corporate joint ventures and holding companies for the three months ended November 30, 2009 and 2008 were as follows:

	Three Months Ended	
	November 30, 2009	November 30, 2008
Industrial chemical	$ 19,191,180	$ 20,842,816

Non-industrial chemical	289,358	266,769
Total international corporate joint ventures and holding companies sales	$ 19,480,538	$ 21,109,585

The decrease in net sales of NTIC's corporate joint ventures and holding companies in the three months ended November 30, 2009 compared to the three months ended November 30, 2008 of 7.7% was primarily a result of decreased demand of ZERUST® and EXCOR® products as a result of the worldwide economic recession.

NTIC receives fees for technical and other support services it provides to its corporate joint ventures and holding companies based on the revenues of the individual corporate joint ventures and holding companies. NTIC recognized fee income for such support of $1,151,930 in the three months ended November 30, 2009 compared to $1,320,719 during the three months ended November 30, 2008, a decrease of 12.8%. The decrease in fees for technical and other support to its corporate joint ventures was due to the decrease in net sales of NTIC's corporate joint ventures and holding companies.

NTIC sponsors a worldwide corporate joint venture conference approximately every three to four years in which all of its corporate joint ventures are invited to participate. NTIC defers a portion of its technical and other support fees received from its corporate joint ventures in each accounting period leading up to the next conference, reflecting that NTIC has not fully earned the payments received during that period. The next corporate joint venture conference is scheduled to be held in the summer of 2010 or 2011. There was no deferred income recorded within other accrued liabilities during the three months ended November 30, 2009 related to this future conference; however, $288,000 has been accrued over the past three fiscal years. The costs associated with these joint venture conferences are offset against the deferral as incurred, generally in the period in which the conference is held and immediately before.

NTIC incurred direct expenses related to its corporate joint ventures and the holding companies of $856,566 during the three months ended November 30, 2009 compared to $1,178,034 during the three months ended November 30, 2008, a decrease of 27.3%. This decrease was attributable to $135,000 of grants and research and

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development expense reimbursement received during the three months ended November 30, 2009. Additionally, the decrease was attributable to decreases in (i) salary and benefit expense of $95,000, (ii) consulting expense of $41,000 and iii) legal expenses of $90,000, partially offset by increases in miscellaneous expenses of $40,000. As a percentage of net sales, direct expenses incurred relating to NTIC's corporate joint ventures and holding companies increased by an immaterial amount for the three months ended November 30, 2009 compared to the three months ended November 30, 2008.

NTIC had equity in income of corporate joint ventures and holding companies of $705,899 during the three months ended November 30, 2009 compared to $658,766 during the three months ended November 30, 2008. The increase in equity in income of 7.2% was due to increased profitability of NTIC's corporate joint ventures and holding companies primarily resulting from cost control measures put in place during the last year.

Interest Income. NTIC's interest income decreased slightly to $1,496 during the three months ended November 30, 2009 compared to $445 during the three months ended November 30, 2008 primarily due to the increased cash balance earning interest during the three months ended November 30, 2009.

Interest Expense. NTIC's interest expense decreased slightly to $25,987 during the three months ended November 30, 2009 compared to $31,898 during the three months ended November 30, 2008 primarily due to lower average outstanding debt levels during the three months ended November 30, 2009.

Income Before Income Tax Expense. Income before income tax expense increased to $420,705 for the three months ended November 30, 2009 compared to $45,886 for the three months ended November 30, 2008.

Income Tax (Benefit) Expense. Income tax benefit was $15,000 during the three months ended November 30, 2009 compared to income tax expense of $33,000 during the three months ended November 30, 2008. Income tax (benefit) expense was calculated based on management's estimate of NTIC's annual effective income tax rate. NTIC's annual effective income tax rate during the three months ended November 30, 2009 and 2008 was lower than the statutory rate primarily due to NTIC's equity in income of corporate joint ventures being recognized based on after-tax earnings of these entities. To the extent undistributed earnings of NTIC's joint ventures are distributed to NTIC, it is not expected to result in any material additional income tax liability after the application of foreign tax credits.

Liquidity and Capital Resources

Sources of Cash and Working Capital. As of November 30, 2009, NTIC's working capital was $5,922,549, including $2,341,999 in cash and cash equivalents, compared to working capital of $2,727,737 including $138,885 in cash and cash equivalents, as of August 31, 2009.

In September 2009, NTIC completed a $3,552,000 registered direct offering in which it sold an aggregate of 480,000 shares of its common stock to institutional investors at a purchase price of $7.40 per share, resulting in net proceeds of $3,195,613, after deducting placement agent fees and expenses and NTIC's offering expenses. All of the shares were offered pursuant to an effective shelf registration statement.

NTIC has a $2,300,000 demand line of credit with National City Bank. Advances made under the demand line of credit are made at the sole discretion of National City Bank and are due and payable on demand. Outstanding amounts under the demand line of credit bear interest at an annual rate based on LIBOR plus 2.25%. As of November 30, 2009, the interest rate was 3.1%. Interest is payable in arrears on the 15th day of each month and on demand. As of November 30, 2009, NTIC had no borrowings under the demand line of credit.

In September 2006, NTIC purchased the real estate and 40,000 square feet building in which its corporate headquarters is located pursuant to a like-kind exchange transaction within the meaning of Section 1031 of the

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Internal Revenue Code of 1986, as amended, for a purchase price of $1,475,000. To finance the transaction, NTIC obtained a secured term loan in the principal amount of $1,275,000. The term loan matures on May 1, 2011, bears interest at a fixed rate of 8.01% and is payable in 59 monthly installments equal to approximately $10,776 (inclusive of principal and interest) commencing June 1, 2006. All of the remaining unpaid principal and accrued interest is due and payable on the May 1, 2011 maturity date, unless the bank demands payment earlier due to a covenant breach by NTIC as discussed in more detail below. The loan is secured by a first lien on the real estate and building.

Under the note governing this term loan, NTIC is subject to a minimum debt service coverage ratio of 1.0:1.0. At November 30, 2009, NTIC failed to meet this financial covenant and no waiver from the bank was obtained by NTIC for the covenant violation. As a result, an event of default occurred under the note and the bank has the right in its discretion, by giving written notice to NTIC, to declare the amount outstanding under the note immediately due and payable in full. As a result, NTIC classified all amounts outstanding with National City Bank as current liabilities on its consolidated balance sheet.

NTIC believes that a combination of its existing cash and cash equivalents, forecasted cash flows from future operations, anticipated distributions of earnings and technical assistance fees to NTIC from its joint venture investments and funds available through existing or anticipated financing arrangements, will be adequate to fund its existing operations, capital expenditures, debt repayments and any stock repurchases for at least the next 12 months. During fiscal 2010, NTIC expects to continue to invest in research and development and in marketing efforts and resources into its new businesses, product lines and markets, including in particular the application of its corrosion prevention technology into the oil and gas industry. 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 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.

Uses of Cash and Cash Flows. Cash flows used in operations for the three months ended November 30, 2009 was $227,823, which resulted principally from equity income of corporate joint ventures, an increase in trade receivables including corporate joint ventures, offset by net income, depreciation and amortization expense, stock option expense, decrease in technical and other services receivables from corporate joint ventures, and an increase in accounts payable and accrued liabilities. Cash flows used in operations for the three months ended November 30, 2008 was $630,858, which resulted principally from equity income of corporate joint ventures, increases in trade receivables, technical and income tax receivables, prepaid expenses and decreases in accrued liabilities, offset by net income, joint venture royalty receivables, inventory, depreciation and amortization expense and an increase in accounts payable.

Net cash used in investing activities for the three months ended November 30, 2009 was $61,497 which comprised of dividends received from corporate joint ventures, partially offset by investments in patents and additions to property and equipment.   Net cash used in investing activities for the three months ended November 30, 2008 was $1,959,700, which comprised of dividends received from corporate joint ventures, offset by additions to property and equipment and investments in patents.

Net cash provided by financing activities for the three months ended November 30, 2009 was $2,492,434, which resulted primarily from the issuance of common stock and, to a lesser extent, proceeds from NTIC’s employee stock purchase plan and option exercises, partially offset by repayments to the demand line of credit and principal payments on the bank loan for NTIC’s corporate headquarters buildings. Net cash used in financing activities for the three months ended November 30, 2008 was $1,132,798, which resulted primarily from bank overdrafts and repayments to the demand line of credit and principal payments on the bank loan for NTIC’s corporate headquarters building.

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Capital Expenditures and Commitments. NTIC had no material lease commitments as of November 30, 2009, except a lease agreement entered into by NTI Facilities, Inc., a subsidiary of NTIC, for approximately 16,994 square feet of office, manufacturing, laboratory and warehouse space in Beachwood, Ohio, requiring monthly payments of $17,500, which are adjusted annually according to the annual consumer price index, through November 2014.

NTIC has no postretirement benefit plan and does not anticipate establishing any postretirement benefit program.

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.

In fiscal 1999, a subsidiary of NTIC, NTI Facilities, Inc., acquired a one-third ownership of Omni-Northern Ltd., which owns and operates a rental property located at 23205 Mercantile Road, Beachwood, Ohio. The property has an approximate value of $2,205,000, based upon the cash-to-mortgage acquisition price of the property paid in fiscal 2000. NTIC has guaranteed up to $329,082 of Omni-Northern Ltd.’s $1,903,571 mortgage obligation with National City Bank, Cleveland, Ohio. The building is fully leased at present.

Inflation and Seasonality

Inflation in the U.S. and abroad historically has had little effect on NTIC. NTIC’s business has not historically been seasonal.

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 corporate joint ventures and holding companies 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 yuan, Korean won and the English pound against the U.S. dollar. NTIC’s fees for technical support and other services 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 corporate joint ventures and holding companies 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 and holding companies 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.

NTIC's demand line of credit bears interest at a rate based on LIBOR and thus may subject NTIC to some market risk on interest rates. As of November 30, 2009, NTIC had no borrowings under its $2,300,000 demand line of credit.

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Critical Accounting Policies

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, 2009.

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 and Section 21E of the Securities Exchange Act of 1934 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, the outcome of contingencies such as legal proceedings, and prospects regarding, among other things, NTIC's financial condition, results of operations and business. NTIC has identified some of these forward-looking statements in this report with words like "believe," "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. These 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:

- The effect of current worldwide economic conditions on NTIC's business;
- The effect of the significant downturn in the U.S. automotive industry on NTIC's business;
- NTIC's dependence on the success of its joint ventures and technical fees and dividend distributions that NTIC receives from them;
- NTIC's relationships with its joint ventures and its ability to maintain those relationships;
- Risks associated with NTIC's international operations and exposure to fluctuations in foreign currency exchange rates;
- Fluctuations in the cost and availability of raw materials, including resins and other commodities;
- NTIC's investments in its new business and research and development efforts and its need for additional capital to support such new business and research and development efforts;
- The success of and risks associated with NTIC's emerging new businesses;
- Acceptance of NTIC's existing and new products;

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- Increased competition;
- NTIC's reliance upon and its relationships with its distributors, independent sales representatives and corporate joint ventures;
- NTIC's reliance upon suppliers;
- The costs and effects of complying with changes in tax, fiscal, government and other regulatory policies, including rules relating to environmental, health and safety matters;
- The costs and effects of currently outstanding or threatened litigation;
- Unforeseen product quality or other problems in the development, production and usage of new and existing products;
- Loss of or changes in executive management or key employees;

- Ability of management to manage around unplanned events;
- NTIC's reliance on its intellectual property rights and the absence of infringement of the intellectual property rights of others; 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, 2009 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. We wish 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 we may consider immaterial or do not anticipate at this time. Although we believe that the expectations reflected in our forward-looking statements are reasonable, we do not know whether our expectations will prove correct. Our expectations reflected in our forward-looking statements can be affected by inaccurate assumptions we 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 us and our business, including factors that potentially could materially affect our financial results or condition, may emerge from time to time. We assume 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. We advise you, however, to consult any further disclosures we make on related subjects in our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K we file with or furnish to the Securities and Exchange Commission.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

This Item 3 is inapplicable to NTIC as a smaller reporting company and has been omitted pursuant to Item 305(e) of SEC Regulation S-K.

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 reasonably ensure 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 and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating NTIC's disclosure controls and procedures, NTIC recognizes that any controls and procedures, no matter how well designed and operated can provide only reasonable assurance of achieving the desired control objectives and NTIC necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. 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 NTIC's Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that material information relating to NTIC and its consolidated subsidiaries is made known to management, including NTIC's Chief Executive Officer and Chief Financial Officer, particularly during the period when NTIC's periodic reports are being prepared.

NTIC's management is aware, however, that there is a lack of segregation of duties due to the small number of employees of NTIC dealing with general administrative and financial matters. However, NTIC's management has decided that considering the employees involved and the control procedures in place, risks associated with such lack of segregation are insignificant and the potential benefits of adding employees to clearly segregate duties do not at this time justify the expenses associated with such increases.

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, 2009 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

A description of NTIC's legal proceedings in Note 12 of its consolidated financial statements included within this report is incorporated herein by reference.

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, 2009, 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

During the three months ended November 30, 2009, NTIC did not purchase any shares of its common stock or other equity securities of NTIC.

On November 13, 2003, the Board of Directors of NTIC authorized Matthew Wolsfeld, Chief Financial Officer of NTIC, to repurchase on behalf of NTIC, up to 100,000 shares of NTIC's common stock from time to time in accordance with applicable rules governing issuer stock repurchases. Since being authorized, NTIC has not repurchased and retired any shares of its common stock.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

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

Exhibit No.	Description
1.1	Placement Agency Agreement dated as of September 18, 2009 between Northern Technologies International Corporation and Next Generation Equity Research, LLC (incorporated by reference to Exhibit 1.1 to NTIC's Current Report on Form 8-K as filed with the Securities and Exchange Commission on September 19, 2009 (File No. 001-11038))
10.1	Form of Subscription Agreement, dated as of September 18, 2009 between Northern Technologies International Corporation and each of the investors in the offering (incorporated by reference to Exhibit 10.1 to NTIC's Current Report on Form 8-K as filed with the Securities and Exchange Commission on September 19, 2009 (File No. 001-11038))
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
31.2	Certification of Chief Financial Officer 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)

SIGNATURES

Pursuant to the requirements of the Securities and 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 14, 2010

Matthew C. Wolsfeld, CPA
Chief Financial Officer

(Principal Financial and Accounting Officer and Duly Authorized to Sign on Behalf of the Registrant)

NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION
QUARTERLY REPORT ON FORM 10-Q

EXHIBIT INDEX

Exhibit No.	Description	Method of Filing
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31.2	Certification of Chief Financial Officer 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

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 14, 2010

Patrick Lynch

G. Patrick Lynch
President and Chief 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;

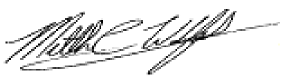
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (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 14, 2010

Matthew C. Wolsfeld, CPA
Chief Financial Officer and Corporate Secretary

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 ending November 30, 2009 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 14, 2010

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 ending November 30, 2009 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 14, 2010